

Understanding the Complexity of a Rising China

A Monograph

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Abstract

Moving Forward in Uncertainty: The Demand for Pluralism in Global Politics, by MAJ Joshua A. Taylor, 101 pages.

Global politics is a complex system with endless variable factors and agents. Such complexity requires a holistic understanding of the structure, which demands a pluralistic application of theory. Dominant rationalist international relations (IR) theories seem inadequate on their own to explain the roles, functions, and interactions of all relevant agents in today's strategic environment. These theories do not account well for the temporal and interdependent nature of global politics across the breadth of political, economic, security, and social systems. The combination of these systems constitutes the basis for an increasingly complex world. These challenges are occurring on multiple levels across the spectrum of power and give credence to the assertion that traditional IR theories are insufficient on their own to account for the dynamism reflected in global politics of the 21st Century.

Utilizing a pluralistic theoretical lens applied to a case study of a rising China, it proved reductionist to separate the parts of the system with no appreciation for the interdependent nature of those parts. Traditional approaches sought to assert control over variables that are resistant to control and interactions that produce unforeseen events. In isolation, these theories were not adaptive nor holistic in their approach. A pluralistic view of global politics sought to overcome those shortcomings. The application of complexity theory enabled synthesis of competing IR theories. Armed with this more nuanced conceptualization of global politics, operational artists and strategic planners can better account for the whole of the interdependent relationships among all relevant agents and populations of agents within the complex adaptive system that constitutes global politics. This is crucial for those seeking to anticipate possible futures and ensure maximum efficacy in the development of adaptive plans and policies.

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Acronyms

AIIB	Asian Infrastructure Investment Bank
APEC	Asia-Pacific Economic Cooperation
BOP	Balance of Payments
BRIC	Term used in reference to the emerging economies of Brazil, Russia, India and China
CCP	Chinese Communist Party
CNP	Comprehensive National Power
DPP	Democratic People's Party
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
IR	International Relations
KMT	Kuomintang
MIT	Massachusetts Institute of Technology
PLA	People's Liberation Army
PLAAF	People's Liberation Army Air Force
PPP	Purchasing Power Parity
PRC	People's Republic of China
RMB	Renminbi
SIPRI	Stockholm International Peace Research Institute
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
UNPKO	United Nations Peacekeeping Operation

US	United States of America
VAT	Value Added Tax
WTO	World Trade Organization

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Introduction

Dietrich Dörner asserts, “Planning is much easier if we ignore the condition element and assume that our action is generally applicable.”¹ In other words, planning is easy when you are foolish. It is foolish because one must be foolish to reduce the analysis of complex relationships for the simplicity of a model with no regard for the interconnection between the parts that derive the whole of the condition. Yet, this is the condition one finds when assessing the whole of primary international relations (IR) theory schools.

For this reason, Neil Harrison advanced the need to apply a complex adaptive systems lens to the study of global politics to provide a better understanding of the interaction of all relevant agents that constitute the whole of the system.² In turn, Harrison’s work asserts that the use of complexity theory to understand global politics demands a pluralistic approach. In this context, a pluralistic approach is redefined from its traditional political theory context to represent a multiple perspective approach. Supporting the concept that pluralism provides an approach to overcome shortcomings in rationalist IR theories, Joseph Nye advanced the concept of a smart power strategy designed to synthesize liberal and realist IR theories.³ In so doing, Nye’s smart power strategy accounts for the limitations and strengths of both hard and soft power approaches.⁴ This monograph will incorporate concepts of both Harrison and Nye to explore how

¹ Dietrich Dörner, *The Logic of Failure: Why Things Go Wrong and What We Can Do to Make Them Right* (Reading, MA: Addison-Wesley Pub., 1997), 166.

² Neil Harrison, ed., *Complexity in World Politics: Concepts and Methods of a New Paradigm* (Albany: State University of New York Press, 2006), 13. Harrison’s use of “agent” resides in the context of complex systems, but it will be used interchangeably within this monograph with “actor” in order to synthesize the terms between IR and complexity theories.

³ Joseph Nye, *The Future of Power* (New York: Public Affairs, 2011), 231.

⁴ *Ibid.*, xiv.

a pluralistic application of IR theory and recognition of the structural complexity of global politics provides improved understanding of the environment, which enables policy makers to “produce preferred outcomes.”⁵

Dominant rationalist IR theories seem inadequate on their own to explain the roles, functions, and interactions of all relevant agents in today’s strategic environment. Prevailing IR theories make numerous simplifying assumptions that create problems in understanding political outcomes at the global level. These theories do not account well for the temporal and interdependent nature of global politics across the breadth of political, economic, security, and social systems. The combination of these systems constitutes the basis for an increasingly complex world, wherein non-traditional actors are challenging the state’s dominance in global politics. These challenges are occurring on multiple levels across the spectrum of power and give credence to the assertion that traditional IR theories are insufficient on their own to account for the dynamism reflected in global politics of the 21st Century.

In *The Future of Power*, Nye asserts that the range of relevant agents in global politics has broadened. This work contends that range includes non-traditional, sub-state actors (i.e.: multinational corporations, transnational criminal organizations, terrorist organizations, etc.) to states (traditional relevant actor in IR theory) to supranational institutions (i.e.: the United Nations, World Bank). Nye provides an excellent framework to visualize the array and interaction of these agents in global politics through his description of the “complex three-dimensional chess game.”⁶ The highest level is representative of traditional realist IR theories that are state-centric with self-interested actors that place emphasis on military power. Nye asserts that at this level the

⁵ Nye, *The Future of Power*, 7.

⁶ Ibid., xv.

current world order is unipolar and likely to remain that way for the foreseeable future.⁷

Economic power resides on the second level. Though not explored by Nye, the reader must bear in mind that the conceptualization of economic power provides an overlap between realist and liberal IR theories that are diametrically opposed. Therefore, a pluralist approach must account for each perspective to best explore economic power statuses. To Nye, the second level of power has become increasingly multipolar over the last decade. Last, the lower level of the board reflects “the realm of transnational relations that cross borders outside of government control.”⁸ This level consists of a range of non-traditional actors from sub-state to supranational that influence the distribution of power. Nye concludes that power diffusion at this level is so extensive that references to polarity or hegemony are obsolete.⁹ This monograph further asserts that these non-traditional actors are emergent properties of geopolitical social behavior with the ability to translate power to influence to varying degrees of effectiveness. For this reason, they constitute relevant agents in global politics. This is important to note through the exploration of all three of Nye’s levels on the chessboard from a pluralistic theoretical lens.

When assessing power, one must acknowledge that differences exist to varying degrees among the interpretations of power within international relations theory. This work assumes that power as a measure of influence takes primacy to power as a measure of capabilities. Therein, power conversion represents “getting from resources to behavioral outcomes.”¹⁰ This distinction is necessary when addressing how changes (relative or absolute) in hard powers (military, economic) or soft powers (diplomatic or cultural) may affect an actor’s ability to successfully

⁷ Nye, *The Future of Power*, xv.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid., 8.

leverage the noted change in power level to coerce or attract, cooperate with or compete against other actors in the system. It is theory dependent as to what constitutes an actor's ability to grow its power (internally or externally); which elements of power prove most important to achieve each theories end-state for its actors (transcendence from anarchy or continued survival); how balance is achieved within the system; or even how other actors should view that change in power (changes in relative or absolute terms). However, this work asserts that a change in the level of influence an actor has is the most accurate reflection of where that actor stands in the international hierarchy. Furthermore, relevant actors must be able to exert influence that forces other actors to negotiate their own interests.

It is fundamental to understand that an actor's self-interests in global politics are not self-determined. They arrive through a negotiation as described in Robert Putnam's two-level game between external and internal politics.¹¹ In reality, the situation is much more complicated than a mere two levels. It is a multi-level dynamic where relationships and interactions at each level are fractal, adding to the complexity of the whole. In any regard, the discourse leads to a negotiation. This negotiation leads to a bargained interest for the actor. Therefore, any actor with an internal and external component for interest determination and the ability to influence other actors in reaching their own bargained interests are relevant actors. From this perspective, actor interests are emergent qualities of global politics.

As a result, actor interaction creates limitations and opportunities based on perceived power statuses that drive behavior. As such, the first step in any assessment of true power would be to identify strengths and weaknesses inclusive of the full spectrum of power capabilities.¹²

¹¹ Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization* 42, no. 03 (June 1988), 429.

¹² Nye, *The Future of Power*, 231.

This understanding of both real and perceived power provides insight into how agent behavior and interactions may occur. This work utilizes the perceived rise in power of the PRC in the Post-Mao era to demonstrate how it affected US policy, which subsequently affected PRC policy.

Even with an established working definition of what constitutes true power, the ability to quantify that level of power to provide a point of reference from which to compare and contrast all actors is difficult to attain. Moreover, attempts to assess actors in terms of power are further complicated by problems that arise from the discrepancy between current levels of power and the potential for future levels of power. These areas lead to an inherent degree of subjectivity of analysis within any approach that account for the errors in perception of actor behavior or status, which lead to many of the problems associated with interactor conflict. Therefore, to gain a more holistic view of the intricacies that define the structure of global politics, one must broaden the aperture of analysis to gain a greater appreciation of the whole. A pluralistic application of theory will not provide the answers, but it provides a better frame to look at things. As Stephen Walt said, future diplomats “should remain cognizant of realism’s emphasis on inescapable role of power, keep liberalism’s awareness of domestic forces in mind, and occasionally reflect on constructivism’s vision of change.”¹³ Doing so allows one to gain better insights into the complexity of global politics, while striving for anticipation versus predictability.

Agent interactions create interdependent relationships that define and redefine the allocation and perception of power, nature of relationships, motivations of all agents within the system, and the nature of the system as a whole. The actors within the emergent structure of global politics are also capable of a Darwinian process of either adaptation or extinction, which is

¹³ Stephen Walt, “International Relations: One World, Many Theories,” *Foreign Policy*, no. 110 (Spring 1998), 44.

a quality that lends itself toward the evolution of the system as a whole.¹⁴ For this reason, the structure of global politics is indeed an adaptive system capable of change over time, but the driver for adaptation comes from interaction of its parts and not the emergent whole.¹⁵ This is critical to note as it speaks to the temporal nature of global politics. From there, a policy maker must ask if the apparent rise in the influence of the actor of interest is real or a temporary anomaly. This will provide a more accurate depiction as to what the function, role, capabilities, and limitations of the actor in question are within the world structure. As all actions are interdependent, it provides insights as to how one actor should account for another in policymaking.

Armed with this more nuanced conceptualization of global politics, operational artists can better account for the whole of the interdependent relationships among all relevant agents and populations of agents within the complex adaptive system that constitutes global politics. Moreover, understanding the need to appreciate the interactions at the sub-level from a holistic point of view leads the planner to understand better the nature of the current structure. This understanding comes through asking, “why does this relationship exist” and “what should we anticipate after a solution implementation” versus a focus on “what is the problem” devoid of the greater understanding of the whole. The latter leads one to analyze the symptoms instead of the cause. Moreover, rationalist IR theories tend to focus on power relationships through compartmented study of power variables similar to those described in Nye’s “three-level chessboard.” However, as he indicated in *Soft Power*, there is an “interplay” of powers.¹⁶

¹⁴ Robert Axelrod and Michael Cohen, *Harnessing Complexity: Organizational Implications of a Scientific Frontier* (New York, NY: Basic Books, 2000), xiii.

¹⁵ Harrison, 11.

¹⁶ Joseph Nye, *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004), 25.

Understanding this interplay necessitates taking a pluralistic view of the whole, so that an agent can best understand the system from an internal and external perspective. From this understanding, one can seek to identify recurrent patterns in the system or indicators of change. This enables them to adapt or innovate within the system to either maintain stasis or exploit an opportunity for growth. This acknowledgment is crucial for those seeking to ensure maximum efficacy in the development of strategic plans and policies. Complexity research offers, “wholes are more than their parts and that science is capable of establishing such a proposition.”¹⁷ If complexity defines the structure of global politics, then its nature dictates that a pluralistic view of IR theory be applied to its understanding. Effective models of global politics cannot restrict themselves to single, narrowly focused IR theories and expect to gain an accurate understanding of the whole of the system. For this reason, this work hypothesizes that the application of a pluralistic theoretical lens to global politics provides improved analytical insights into the behaviors of all relevant agents within the system.

Methodology

This work continues Harrison’s assertion that global politics is a complex system. Therefore, functionalist theories of IR are inadequate to identify all relevant agents within the system and their degree of interdependency in shaping global relations. The conduct of analysis will apply a complex adaptive systems approach to multiple interdisciplinary models and theories of business, economics, evolutionary biology, socialization, and international relations to seek a more complete understanding of the dynamics of global politics. This requires a specification of

¹⁷ Martin Hollis and Steve Smith, *Explaining and Understanding International Relations* (New York: Oxford University Press, 1991), 198.

all relevant agents and populations of agents within the system of global politics, “what the actors see and do, how they interact, how they generate variety in behavior, and how the actors and their behaviors are selected for retention, amplification, or extinction.”¹⁸

Along with the application of various traditional IR theories, this work integrates elements of Harrison’s “complexity taxonomy of world politics,” which holds that global politics is an emergent quality of the interaction between subordinate groups, institutions, and agents.¹⁹ The structure of global politics is an open system affected by multiple outside influences and processes (social, technological, economic) that reciprocally influence agent-to-agent behavior influenced by the structure itself. Agents may be both an emergent property of the system and an individual agent within the system, which opens the door for the exploration into how actors move in and out of collective agent populations to achieve greater influence than they otherwise would have experienced on their own. As will be shown, this will be the case for the PRC who is both constrained and enabled by other actors in the system. The “internal models” of the agents represent their perception of the system as a whole, the roles of other actors, and their own roles. This perception drives how the agent behaves and influences the choices the agent makes as well as the choices other agents make in interaction. Every choice creates a series of responses and counter-responses between the agent and all affected agents in the system. This socialization process will either reinforce or alter agent behavior in a system that forces its parts to either adapt, innovate, or die. Therefore, the nature of relations between agents is dynamic, but the organization of those agents is fixed. This dynamic relation property affects the nature of the system as a whole, which gives global politics its self-organizing design. Further, causation is difficult to determine in a complex environment due to the latency between cause and effect, the

¹⁸ Axelrod, xvi.

¹⁹ Harrison, 7-13. The concepts applied within this paragraph reflect a summation of the taxonomy of world politics expressed within the cited section of the text.

varied and independent choice and response between agents that do not produce identical results, and the unpredictability of a non-linear system. This creates a situation where small changes at the micro-level may lead to large changes at the macro-level. In all, the exclusion of relevant agents for the sake of creating a simplified model for analysis creates a dangerously reductionist perspective when dealing with global politics and policies.

Acknowledging the complexities inherent within global politics, the worth of this work comes in its openness to multiple ontological approaches and theories of IR. The responsible planner cannot afford to be close-minded in the sole application of a single approach or model. The complex nature of the system itself creates irreconcilable differences between major camps of IR theory. Complexity offers that certain theories may be correct or incorrect at given times dependent on the context of the agent interaction and nature of the system at the time. For this reason, a pluralistic approach seeks to reconcile differences in explaining the emergence of certain agents, behaviors, and/or qualities of the system.

The body of this monograph consists of four principal steps for explaining the approach. The first step, covered to this point, relayed pertinent background research to the reader that primarily covers complex systems research and smart power strategy concepts. The research equipped the author with a variety of theoretical and analytical propositions that reflect the power of combining multiple theories to provide unique and useful insights into global politics. The second step demonstrates the utility of the pluralistic theory approach through analysis of the rise of the People's Republic of China (PRC). This case study demonstrates how national interests are determined through a balance of internal and external demands and discourse. Further, it relays how quickly interests or the perception of interests change through agent interaction. The heart of the work will demonstrate the inadequacy of analyzing elements of national power in isolation from the others. Just as every agent acts upon each other, the elements of power act upon themselves. This belies the concept behind Nye's smart power approach. The conduct of this

analysis closely follows Nye's mentioned "three-dimensional chess game" through exploration of the PRC's military and economics on the first two levels, but the third level, being the most diffused, is interpreted as soft power influences for this monograph. The analysis will demonstrate how external and internal constraints limit the actor's ability to convert power to influence. The third step concludes the work. It explores how perceptions and behaviors through actor interaction altered the course of relations between actors and affected the system as a whole. Further, conclusions will emphasize the requirement for policy makers and operational artists to acknowledge the complexity within the system. This requires a multiple perspective analysis and recognition that all policies and operations will alter the state of the system directly or indirectly upon implementation. One cannot accurately predict the future, but one can work to shape it to a more favorable position through informed, adaptive strategies.

Complexity in Global Politics: Assessing the Rise of the People's Republic of China

This chapter applies a theoretically pluralistic approach to the global politics affecting Sino-US relations in order to provide better insights into agent behavior. To understand this, one must not focus only on the events of today but seek to analyze the factors that led to these events. For example, Barack Obama's first term as President of the United States was marked with managing two wars and planning recovery from a world financial crisis in an increasingly connected and interdependent world. The future of the current world order seemed at stake and one of the leading controversies was the role the PRC would play. China's expanding economic influence, ongoing military modernization efforts, and growing influence on the world stage precipitated these debates. As US war efforts drew down, economic interests and fiscal concerns took the forefront in US political debate though China and Asia would soon move to the center of that debate.

In 2011, then US Secretary of State, Hillary Clinton, laid out six lines of effort for this

new policy direction: “strengthening bilateral security alliances; deepening our working relationships with emerging powers, including with China; engaging with regional multilateral institutions; expanding trade and investment; forging a broad-based military presence; and advancing democracy and human rights.”²⁰ As the remainder of this analysis will show, the US pivot to the Pacific was a key change in narrative that accelerated the PRC’s actions in a manner that has led to competing narratives between the actors. Only recently have analysts begun to apply tenets of international relations theory in order to determine what a rising China truly means. This chapter will provide analysis of the PRC’s military, economic, and soft power growth potential and limitations that influenced the US change in policy. This will provide a better understanding of what options emerged for the PRC based on the interaction that shaped Sino-US relations today.

Military Dimension: Converting Power into Influence

In line with Nye’s smart power strategy analysis, the first level to assess is the PRC’s military power and potential within an otherwise unipolar power dimension area dominated by the United States. Liberal IR theories would argue that military power is of diminishing concern in an increasingly interdependent world where international institutions and established social norms have made the projection of military force for aggressive/expansionary means less likely by non-reformist actors. From a realist perspective, security and survival remain the primary goal of actors within the system. Therefore, the assessment of the capacity and distribution of military capabilities in relative terms remains crucial for interpreting behaviors from a realist perspective. For this reason, the majority of this section applies models of realist thought. Although, it offers

²⁰ Hillary Clinton, “America’s Pacific Century,” *Foreign Policy Online*, October 11, 2011, accessed November 16, 2015, <http://foreignpolicy.com/2011/10/11/americas-pacific-century/>.

alternative views from liberal perspectives in order to compare and contrast results and behaviors. The results will exemplify that global politics are subject to interpretation between varied IR theories, which again gives credence to the need to apply a pluralistic approach for a more holistic understanding of agent behavior within the system. With that understanding, one can better interpret how perceived limitations, strengths, and tendencies shape actor options and create the conditions for emergent properties.

This section explores the PRC's perceived intent for strategic use of force and its overall military modernization. Although past actions are not necessarily indicative of future intent, it provides a historical perspective of China's propensity to use force in the modern age, which creates a perception for other actors to gauge the PRC's actions. Additionally, the section studies a series of variable factors that affect China's ability to translate its growing military might into an influential force. Specifically, these factors include their location, a forward US presence, and the relative strength of other actors in the region, especially those emboldened by US policy intent on maintaining the status quo and membership to international organizations that have the capacity to serve as actors in global politics on their own. To best analyze this element of power, it is important to review more than just the elements of military spending or projected composition and disposition of troops and equipment for the period of study. As stated, efficacy in translating power into influence determines the true status of that power attribute for the actor. Therefore, the mere possession of a large fighting force would not constitute influence in and of itself. It is relevant to analyze the PRC's resolve to use that force to prevent conflict or its willingness to use it as a means to exert its will and forcefully rectify any perceived inadequacies within the system that would have been of interest to US policy makers pre-shift to the Pacific.

To place these results in a theoretical perspective, it is most appropriate to explore China's military situation at the specified period from a realist point of view. This stems from concerns that the PRC would desire to alter its position in the world hierarchy with its military

power in order to serve its own interests. Further, world and regional actors would shape their perceptions of future Chinese intentions from past actions, current activities and the array of capabilities. The manner in which surrounding nation-states and other relevant non-traditional actors interpreted these actions was instrumental toward shaping the political dynamic of today. Clearly, a growing Chinese military power perceived to possess a willingness to exert/impose its will to achieve its own interests would create a security dilemma in the region. This could have led to conflict through a destabilizing rebalancing effort or security miscalculations.

With this established, it is relevant to attempt to determine which theory best serves to evaluate China's foreign policy as it related to security measures. The resulting perception of Chinese intent would have driven other nations' reactions as to what influence a growing Chinese military power could have on its own policy procedures toward the PRC. A subscription to an offensive realist perspective would have been most dangerous to regional stability and US interests in Asia, as indicator that a rising China would choose to expand more readily and cause greater risk to the status quo, thus acting more revisionist in nature. Although, the analysis will show that China's actions and limitations best followed the defensive realist model, which is more calculating in nature and largely conditions based.

Proving or disproving the more drastic scenario is most beneficial toward reducing security miscalculations and fairly assessing China's military power in terms of influence. This is likely the perspective that other nations concerned with Asian interests would have taken when developing their policies toward the PRC and within the region. So, this section will further the analysis along the lines of examining Chinese actions from the perspective of offensive realism by applying key tenets of a model proposed by Paul Midford to confirm or deny aggressive behavior in Chinese military policies/practices. Midford's approach:

1. Relatively faster military modernization in comparison to others is a signal of risk-taking or aggressive behavior.

2. If military spending increases relative to the nation's GDP, and relative to the GDP of others, this also sends the signal that the state has the political will to risk escalation and military conflict to defend its interests.
3. When the initial balance of power is changing adversely and the state feels their position is threatened, they can resort to show-off their military capabilities in military exercises.
4. Treaties and agreements that solve or at least regulate and limit disputes can be an important reassurance measure.²¹

The assessment of these factors and comparison to the United States and other regional modern states between 2008 and 2011 influences determination of the position, trajectory, and disposition of Chinese military power that shaped the current global dynamic. As applied to these indicators of aggressive action within the context of offensive realism, the results provide a “less biased” interpretation of the state of the Chinese military and national security policies that drove the United States to choose a shift to the Pacific. Further, utilizing this realist model provides a tool for policymakers to examine actor power and intent to help limit miscalculations by other actors. The necessity to determine the true impact that changes to elements of the PRC's military power had on the regional balance of power is crucial in determining how the foreign policies and positions of other actors were shaped within the system.

So, where did China stand within Midford's approach?

Military Modernization

As Midford posited,

modernizing weaponry relative to others signals, or at least can be interpreted as indicating, aggressive intentions. Relative increases in arms quality and quantity provokes fears of shifts in the relative power among nations, and the fear that the state will apply their augmented military power in territorial or other disputes with other states.

²¹ Paul Midford, “Reassurance and National Identity in Chinese Foreign Policy” (paper prepared for presentation at the annual meeting of the American Political Science Association, Boston, August 28-31, 2008), 6-7, accessed November 18, 2015, http://citation.allacademic.com//meta/p_mla_apa_research_citation/2/8/0/2/5/pages280259/p280259-1.php.

Relative increases in military power signals that there exists a political will within the state to prepare for armed conflict.²²

These are quantifiable areas in the acquisition of defensive versus offensive weaponry, the build-up of forces, and the changes in power projection capabilities.

In the 1990s and 2000s, the PRC commenced efforts toward the modernization of its military, which had seen few advances in doctrine, force structure, or technology since the Maoist era. The modern fighting force must have adequate advances to support forces on the ground, in the air, and at sea. Additionally, the need to be competitive for cyber warfare and space operations adds to the difficulty and cost of modernizing a force. The PRC's efforts to advance in all of these areas raised concerns over the intentions of a growing Chinese military.

The Cultural Revolution under Mao did significant damage to the continued advancement of Chinese avionics maintenance, training, and production facilities. Entering the twenty first century, the People's Liberation Army Air Force (PLAAF) was well behind US standards in terms of flight training hours, simulators, and maintenance.²³ The majority of the air assets bought throughout the 1990s were former Russian technology, which the PRC had planned to enhance with more modern avionics and weaponry.²⁴ Although, the need to outsource to foreign nations for air frames and spare parts was expensive and relatively unreliable.²⁵ Additionally, the concept of becoming completely self-sufficient in producing its own aviation requirements would prove even more expensive for a modernization effort that required investment across the breadth of the

²² Midford, 6.

²³ Kenneth W. Allen, Glenn Krumel, and Jonathan D. Pollack, "China's Air Force: The Long March to Modernization," Santa Monica, CA: RAND Corporation, 1995, accessed November 05, 2015, http://www.rand.org/pubs/research_briefs/RB32/index1.html.

²⁴ Allen, Krumel, and Pollack.

²⁵ Ibid.

armed forces. Prior to the US Pacific Shift, the PRC had developed a new fighter jet, Chengdu J-20. This was China's first known jet to possess modern stealth capabilities designed to make its air-to-air combat capability more competitive. Like the prolonged incorporation of the foreign purchased aircraft (10-15 years), the PRC only had two prototypes of the J-20 in 2011, with project completion not expected until 2017-2019.²⁶ For perspective on the J-20 project development, Former US Defense Secretary Robert Gates said, "China will still only have a couple of hundred of these "fifth-generation" jets by 2025, when the United States should have 1,500."²⁷ Additionally, limited strategic lift and aircraft carriers severely restrict immediate aspirations to project and sustain air power in order to challenge modern nations for air superiority outside of Chinese borders.

The PRC's limitations in power projection capabilities were reflective of a lack of capacity to enable the effort. In 2011, the PRC had no overseas bases to assist in operations away from its own shores, which led to plans for port operations with Pakistan and Burma to enable improved naval projection.²⁸ This is a sharp contrast to the US force posture stationed worldwide for rapid deployment in support of both combat and contingency operations. Limitations to the ability to project combat power likely influenced Chinese pursuit of area denial and other capabilities to protect its interests closer to home. China developed ballistic missiles with the

²⁶ Bill Sweetman, "Chinese J-20 Stealth Fighter in Taxi Tests," *Aviation Week and Space Technology*, January 3, 2011, accessed November 10, 2015, <http://aviationweek.com/awin/china-s-j-20-stealth-fighter-begins-taxi-tests>.

²⁷ Robert Gates, quoted by Matthew Pennington, "China Challenges US Predominance in Asia-Pacific," *Associated Press*, March 7, 2011, accessed November 10, 2015, http://www.boston.com/news/nation/articles/2011/03/07/china_challenges_us_predominance_in_asia_pacific/.

²⁸ Robert Kaplan, "China's Port in Pakistan," *Foreign Policy Online*, May 27, 2011, accessed November 15, 2015, http://www.foreignpolicy.com/articles/2011/05/27/chinas_port_in_pakistan.

capability to target aircraft carrier battle groups and forward enemy bases. Additionally, more focus was underway to better its information systems to both prevent against and inflict cyber warfare, as well as efforts to pursue means to “destroy and disrupt” potential enemy satellite systems.²⁹ Aside from the modernization of the fighting equipment itself, the need for adequate logistic systems to sustain operations either internally or, more importantly to the threat assessment of other nations, externally was of principal concern to the PRC. The refinement of the processes to support and sustain large deployments of troops is something that cannot be undervalued. The PRC was inexperienced at it due to a history of isolationism and lack of extensive territorial expansion. “In the largest military exercise to date beyond China’s borders, Peace Mission 2007 with Russia, only 1,600 Chinese troops participated.”³⁰ At the time, MIT Security Strategy Professor, M. Taylor Fravel estimated that the PRC was only capable of supporting a forward element of about two group armies of force (80-100 thousand troops).³¹ In large part, that was due to its lack of power projection capabilities.

These factors would have affected other actors’ assessments of future PRC intent. The PRC’s limited ability to project power due to its stage of production and assets available would also factor into those calculations when assessing if actions were aggressive or defensive. The critical shortfall in the ability to gain air superiority, project power and sustainment capabilities

²⁹ Malcolm Cook, Raoul Heinrichs, Rory Medcalf, and Andrew Shearer, *Power and Choice: Asian Security Futures* (New South Wales: Lowy Institute for International Policy, 2010), 28, accessed October 16, 2015, http://www.lowyinstitute.org/files/pubfiles/Asian_security_futures.pdf.

³⁰ M. Taylor Fravel, “International Relations Theory and China’s Rise: Assessing China’s Potential for Territorial Expansion,” *International Studies Review* 12, no. 4 (2010): 523, accessed October 16, 2015, <http://taylorfravel.com/documents/research/fravel.2010.ISR.china.expansion.pdf>.

³¹ Fravel, “International Relations Theory and China’s Rise: Assessing China’s Potential for Territorial Expansion,” 523.

should have lessened immediate concerns about Chinese aggression outside of disputed areas and immediate border regions. However, it is likely that concern over Chinese intent to use these means to affect greater control over certain disputed regions was the greater concern for other actors.

“During power transitions, a rising power’s military doctrine can help signal its intentions to other states and, if the doctrine is seen as defensive, potentially reduce strategic uncertainty.”³² Doctrinally, the combat force structure of the PRC was ground force oriented. The ground force component of the People’s Liberation Army (PLA) dominated its force structure, which remains one of the largest in the world.³³ Presumably, the ground force was defensive in nature due to the PRC’s shortcomings in proven lines of logistics and lack of viable force projection platforms. The array of known PLA forces supports this belief. Fravel depicted the PLA order of battle in a manner consistent with a defense in depth doctrine.³⁴ The rationale behind this doctrine is to strategically place units in depth from ones borders inland with the main body of maneuver forces concentrated well inland. This array provides echeloned pockets of resistance designed to delay and attrite attacking forces. The goal in this doctrine is to allow time for commanders to determine when and where to commit their main force to destroy the advancing enemy. Given the lack of force projection capabilities and the need to secure critical coastal zones, strategic assessments could interpret this force posture as defensive in nature. Additionally, PLA forces perform additional domestic security duties, which further degrade their combat readiness and

³² Fravel, “Securing Borders: China’s Doctrine and Force Structure for Frontier Defense,” *Journal of Strategic Studies* 30, no. 4-5 (July 2007): 706.

³³ Fravel, “International Relations Theory and China’s Rise: Assessing China’s Potential for Territorial Expansion,” 523.

³⁴ *Ibid.*, 525.

impact of dollars allocated for defense.³⁵ The overarching doctrinal design of the PRC is the complete opposite of a force intended for expansionary purposes, which would constitute security concerns in the region.

The state of the PRC's military modernization efforts in 2011 appeared defensive in nature in line with its stated goals. Though China lacks a published document similar to the *US National Security Strategy*, Fravel's studies indicated that the PRC's goals included "preventing Taiwanese secession; guarding against and resisting aggression; ensuring the nation's territorial waters, airspace, and borders are not violated; and guarding against all forms of terrorism; separatism, and extremism."³⁶ All of which indicated a defensive rather than offensive realist policy for the use of military power. The force structure and capabilities of the PRC military were simply not capable of attaining control of an area of any significant distance outside of its border regions, nor would it be in the immediate future. The design of its modernization efforts at best would give China the ability to conduct area denial missions in order to disrupt opposing threats or influence control over disputed areas, which the PRC has shown a propensity to display in the South China Sea since the US policy shift to the Pacific. Given the coastal location of the majority of Chinese disputed lands and major economic centers, this is a legitimate concern for the PRC defensive strategy to protect economic interests. Although The PRC's lack of offensive ability to invade with overwhelming force, maintain air superiority and naval control of the seas limits its ability to control these areas in the event of war with a modern force. A 2015 RAND

³⁵Cortez Cooper, "The PLA Navy's 'New Historic Missions': Expanding Capabilities for a Re-emergent Maritime Power," Santa Monica, CA: RAND Corporation, 2009, accessed November 19, 2015, http://www.rand.org/content/dam/rand/pubs/testimonies/2009/RAND_CT332.pdf.

³⁶ Fravel, "Securing Borders: China's Doctrine and Force Structure for Frontier Defense," 706-7.

Corporation report indicated that the PRC's modernization efforts since 1996 have helped narrow the gap between other modern military forces. Utilizing Taiwan and the Spratly Islands as scenarios, the report reveals that the PRC's only advantage in a conflict with the United States by the year 2017 would be in the defense of Chinese air bases and in anti-surface warfare in the Taiwan scenario, with parity in air superiority and counter space operations under certain conditions.³⁷ This is consistent with the areas of modernization and limitations highlighted within this section. Therefore, from either a defensive or offensive realist perspective, it was a miscalculation to interpret the PRC's advancements in military power as overly aggressive in nature. The PRC appeared ready to protect its national interests should conflict arise, which makes China more defensive in nature than offensive. This should have served as a reassuring measure to other regional actors as they monitored the immediate growth of the PRC's military capabilities. The strategic value of the contested areas in the South China Sea that the PRC can affect alters that perspective and creates strategic uncertainty.

Military Spending

Recall that Midford's second point of assessment in regards to determining intent within an offensive realism model deals with the percent of military spending relative to gross domestic product (GDP). This area lends itself to better quantifiable data for comparison and demonstrates the need to understand the relation of multiple power indicators when assessing the state of the system. The proportion of military spending to various measures of GDP, the potential to sustain certain levels of spending, and comparing those measures to the United States and other regional

³⁷ Eric Heginbotham,, Michael Nixon, Forrest Morgan, Jacob Heim, Jeff Hagen, Sheng Li, Jeffrey Engstrom, Martin Libicki, Paul DeLuca, David Shlapak, David Frelinger, Burgess Laird, Kyle Brady and Lyle Morris, "The US-China Military Scorecard: Forces, Geography, and the Evolving Balance of Power, 1996–2017," Santa Monica, CA: RAND Corporation, 2015, accessed December 22, 2015, <http://www.rand.org/paf/projects/us-china-scorecard.html>.

actors provides an adequate means to assess the resolve and ability of the PRC to grow its military.

Furthermore, an adequate analysis of spending prior to the US shift to the Pacific provides a basis to assess which factors were truly driving changes within the PRC and external actor perception of the changes as a whole. All of which provide more accurate data points by which to evaluate the Chinese military growth that shaped the external interpretations of future PRC intentions. This attempt to shape intentions and lessen uncertainty provides a clearer path toward defining expectations and promoting a more stable environment. If defense spending is well above the norm of nations of similar size, other agents within the global political structure could interpret it as aggressive growth, which could trigger adverse policy reactions by other actors. It would be unwise for any concerned actor to apply that measure as a sole determinant of impending military aggression around which to shape its foreign policies. As noted in a 2010 study conducted by the MacArthur Foundation focusing on future Asian security issues:

There is a tendency to crudely equate a country's total GDP with its government's purported strategic weight and influence in the world. Yet, clearly, Moscow wields much more strategic weight than Rome despite Italy's 2008 GDP being 1.7 times larger. Even greater distortions arise when relative GDP sizes are measured by Purchasing Power Parity (PPP). Thailand's GDP by this measure is roughly equal to Saudi Arabia's, yet Saudi Arabia's strategic importance and diplomatic influence are clearly much greater.³⁸

This does not prevent the encouragement of “saber-rattling” in certain political rhetoric worldwide with the intent of conditioning the population to certain ideas and expectations, which may or may not be fully justified. A critical factor for all policymakers is the need to ensure such rhetoric maintains perspective with the broader scope of the situation at hand in order to draw worthwhile inferences as to intentions and capabilities of other relevant actors.

³⁸ Cook, 16.

To avoid focusing on simple rates of defense spending to GDP, further study could be done to more accurately assess Chinese capabilities and intentions through comparisons of spending per soldier, and changes to rates of spending in areas directly related to the production of traditional military build-up. Additionally, it would be pertinent to assess the assets available that directly influence the effectiveness of a modern fighting force: available fighting force (males 18-35), quality of life indicators, and access to technology, education, training, etc. This study could not determine reliable sources of information to further the study along all of these points of analysis. However, it would no doubt provide useful data points to best determine the true array of military capabilities and trajectory of the Chinese military power. Future studies along these lines should attempt to process these data points in order to aid policy-makers in the all-important effort of forming an accurate perception of a rival state's actions in accordance with actual capabilities.

In the year prior to the US pivot to the Pacific, the PRC's announced defense spending was a fraction of US defense spending. According to the *Stockholm International Peace Research Institute (SIPRI) Military Expenditure Database*, Chinese defense spending in 2010 was (US) \$123 billion.³⁹ Although US war efforts at the time likely skewed spending, US defense spending for the same period was in excess of (US) \$628 billion.⁴⁰ Not only was the PRC completely overmatched by US defense spending, it did not even lead the Asian region in defense spending as a percentage of GDP in the years leading up to the "rise of China" rhetoric that influenced the US shift to the Pacific policy. According to a 2010 Center for Strategic and International Studies

³⁹ "SIPRI Military Expenditure Database," Stockholm International Peace Research Institute (SIPRI), last modified November 3, 2015, accessed November 14, 2015, http://www.sipri.org/research/armaments/milex/milex_database.

⁴⁰ Ibid.

report, China trailed South Korea, India, and Russia in defense spending as a percent of GDP between the years 2000-2009.⁴¹ Given the full weight of needed upgrades covered in the previous section on military modernization of the PRC, these figures support an image consistent with an emerging nation of China's size/population making slightly more than moderate allocations of monies toward a much needed modernization effort. They do not indicate abnormally aggressive behavior in defense spending relative to other relevant regional or world actors. Still, the danger in these estimates was the unknown. The relatively closed nature of the PRC likely created uncertainty about true military spending and allocation. This lack of greater transparency likely provided the fuel for higher levels of mistrust and uncertainty. Neorealist views offer that greater uncertainty is destabilizing to the system as it heightens the likelihood for conflict. Under these circumstances, greater uncertainty runs the risk of security miscalculations that escalate tensions unnecessarily.

This area of uncertainty and potential mistrust created a regional security concern for smaller states dependent on the United States. As the United States was in the process of closing its war efforts, an inevitable force drawdown and reduction of US defense spending made it unlikely that the United States would adequately reset and replenish its remaining force and equipment. Meanwhile, Chinese modernization efforts continued along positive trajectories of growth. This remains a key area of concern for regional actors in Asia who are dependent on the United States to provide stability and a counter to China through the full weight of its hard and soft powers in the region. Those with these fears must also take into account the degree of perpetuity in which China could continue to appropriate higher percentages of funds to defense

⁴¹ Anthony Cordesman and Robert Hammond, *The Military Balance in Asia: 1990-2010: A Quantitative Analysis* (Washington, DC: CSIS, 2010), 6, accessed October 15, 2015, <http://www.sibat.mod.gov.il/NR/rdonlyres/9BAE66A8-FC6A-4C80-B986-BE6FA0E81DFE/0/CSISAsiaMilitaryBalance201014Sep2010.pdf%20%20pennington>.

spending, which is indicative of its current and future distribution of capabilities within the existing balance of power. As force and technological requirements grow, so do the costs. Uncertainties remain in how a growing Chinese force can manage to balance budgeting with proper military strategy, force composition, and proper weapon selection for modernization.

As discussed earlier, it is not enough to have an idea for modernization. The costs for developing, producing and delivering advanced weaponry is expensive and takes time. Additionally, growing personnel (through the costs of pay, benefits, and professional military education), facilities, and maintenance costs increase proportionally with military size.⁴² The PRC planners had to account for these critical factors as they continued to forecast military growth. Further, an uncertain economic future and domestic turmoil further challenged the PRC's ability to grow its military modernization efforts at the same levels. The following section discusses both in more detail. Clearly, all countries must strike an equitable balance between defense costs and investing on infrastructure, education, and social support projects to ensure the best opportunity for continued growth. The PRC was and is no exception. Its rate of spending did not stand-out as overtly aggressive in comparison to other regional or world actors. Furthermore, the sustainability of continued growth in defense spending remained uncertain given the extent of the PRC's internal and external economic concerns. All of which indicates that the PRC had intentions of behaving in a status quo manner.

Military Propensity for either Aggression or Passivity

Moving on to the third pillar of Midford's application of state behavior to determine aggression in a model of offensive realism, one must explore the PRC's tendency to resort to

⁴² Jaques Gansler, *Affording Defense* (Cambridge, MA: MIT Press, 1989), 18.

military action or “shows of force” when it perceives a threat to its own position. “This sends the signal that the state has the political will to risk military conflict to defend the interests of the state. The signal is stronger if the state holds military exercises in or near disputed areas.”⁴³ This area can be quantified by an assessment of the nature of force deployments either for training or for actual military/security force enforcement measures. The amount of force/expense dedicated to the support of international peacekeeping efforts versus the amount spent deploying for more state-centric purposes in disputed territorial spaces serves as an additional measure of analysis in attempting to determine state “intent” of military design. The former obviously sends a message that the force is modern, but capable of submitting to causes for the collective good, which is a liberal ideal in theory at face value. However, the need to appear as a responsible actor on the international level is an accepted norm in the current system. It enables the growth of other areas of national soft power, such as cultural and diplomatic influence. The latter is perhaps the strongest indicator of an actor willing to risk military conflict to enforce the state’s claim to a disputed space that would negatively affect confidence in regional security.

Throughout the Maoist era until the US Pacific shift, the PRC was mostly a status quo nation that did not seek military expansion to alter its place in the hierarchy of the world order. While China is no stranger to conflict perceived as an immediate threat to its territorial claims or political integrity, it resigned itself to actively pursuing a policy approach that allowed for the external use of soft powers to maintain regional stability while growing its relative hard powers from an internal perspective. The intent of which served as a reassurance measure to surrounding nations while enabling China the opportunity for continued internal growth.⁴⁴

⁴³ Midford, 7.

⁴⁴ M. Taylor Fravel, “China’s Behavior in its Territorial Disputes and Assertiveness in the South China Sea” (paper presented for the Center for Strategic and International Studies

As established so far, the PRC had sufficient capabilities to maintain internal defense and a force structure focused on repelling attacks more so than conducting offensive operations. Of the disputed islands and border areas, the PRC had shown the resolve to use force in its defense, but mainly with “shows of force” even in the face of a superpower. China had not been engaged in a major conflict since a border war with Vietnam in 1979. In 2011, M. Taylor Fravel argued that, in spite of growing assertiveness in the South China Sea, the PRC’s actions between 2009 and 2011 were far less assertive than similar actions in the region between 1988 to 1994.⁴⁵ Fravel highlighted that China’s actions through 2011 had been a “comprehensive” approach short of militarization intended to “strengthening their claims, not to compel others from changing their own positions.”⁴⁶ The sum total of its relatively benign actions and willingness to avoid external conflict spoke to China’s willingness to leverage global institutions and norms in a world that had seen a shift away from the acceptance of territorial conquest or unilateral military action except in self-defense. Once again, with that in mind, there was no clear indication that the PRC’s past actions demonstrated any aggressive behavior other than to actively defend and pursue rights to what it perceived to be its own entitled lands and areas. Since the US pivot to the Pacific, both the PRC’s actions and other nation’s responses have become increasingly more militaristic as interested actors seek to continue to strengthen their position in the South China Sea.

The role of individual agent politics is a point of contention in the analysis of international relations. In the Post-Mao era leading up to President Obama’s tenure, the PRC had made great strides toward supporting UN peacekeeping operations (UNPKOs).

Program, MIT, Massachusetts, MA, October, 2011), 1, accessed October 21, 2015, https://csis.org/files/attachments/111128_Fravel_China_Behavior_Territorial_Disputes.pdf.

⁴⁵ Fravel, “China’s Behavior in its Territorial Disputes and Assertiveness in the South China Sea,” 1.

⁴⁶ Ibid.

According to the Peacekeeping Affairs Office of the Ministry of Defense in Beijing, China has contributed about 7,500 peacekeepers to UNPKOs between 1990 and 2008. Furthermore, in early 2008, the PRC was committing more personnel to UNPKOs than any of the UN Security Council's permanent members. China's ambassador to the UN at the time noted that China was simply trying to fill the role as other major powers had become more willing to let emerging and middle powers take the lead in supplying the manpower for UNPKOs. While China only manages to provide minimal monetary support for UNPKOs, it did see an increase in its total contributions between fiscal years 2000-2008 of 168%. However, there are certain limitations to these developments. China still resolutely opposes actions perceived as interfering in the domestic affairs of other states and will only agree to a peace operation if the host government concurs.⁴⁷

Pursuit of these UNPKOs coinciding with the PRC's desire to continue with its non-interventionist policies is an indicator that the established PRC behavior in terms of the use of its military force appeared non-aggressive in nature within the context of Midford's model for offensive realism. However, as defensive realist Kenneth Waltz implied in *Theory of International Politics*, focusing on internal policies has little effect when trying to interpret international relations as all of the actors' behaviors at the macro-level are determined by security interests derived from anarchy.⁴⁸ From this mindset, Waltz attempted to draw on elements of complexity theory to indicate that the structure was emergent from the interaction of the agents within it. While individual actions are unpredictable, security concerns within an anarchic structure remained a meta-tension in Waltz' system. This supported his concept that the individual politics of an agent were irrelevant when analyzing the macro-structure. Ironically, Waltz' attempt to avoid focus on the individual politics placed his theory into a reductionist frame that excluded a more holistic account for agent behavior. While it provides a point for consideration, Waltz' neo-realist approach would be to disregard the perceived intentions of the state or its policies and look at its true measures of power relative to the other actors constituting

⁴⁷ Ian Taylor, "The Future of China's Overseas Peacekeeping Operations," *China Brief* 8, no. 6 (March 2008), accessed October 18, 2015, http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=4792#.Vuob94-cEnc.

⁴⁸ Kenneth Waltz, *Theory of International Politics* (New York: McGraw-Hill, 1979), 93.

the regional/international balance of power. The forces inherent within the system drive actor behavior and cause the balance of power to shift. In this model, aspects of the PRC foreign policy evolved from a balance between influence to be gained or lost from the continuance of its non-interventionist approach to international affairs. As soon as the latter outweighs the former, the neo-realist would expect the PRC to alter its existing policy in order to maximize its potential capability for gains in power convertible to influence.

From a geopolitical standpoint, China had any number of reasons for preoccupation with security that would have led it to take on the role of a more aggressive/militaristic state in order to follow the path of offensive realism. However, China faced a multitude of pressures which limited its ability to translate a growing military force into higher relative levels of power through influence. China's need to balance relations with multiple major and emerging regional powers (Japan, Russia, India), a decaying nuclear state in Pakistan, ongoing efforts by nations in Southeast Asia to bandwagon toward the United States in order to hedge its own security interests, and the ever present reality that it was nearly encircled by forward US bases or strong US allies (South Korea, Japan, and Australia) all stood as limiting factors to dictate the PRC's behavior. It is from this perspective of the distribution of capabilities that Waltz would suggest best helps other actors form conclusions as to the expected behavior of the PRC. The result has been a pluralistic foreign policy approach from an IR perspective. The PRC proved willing to opt for alternate approaches toward achieving influence and exploiting international norms to make power gains in global politics, which has been a fundamental factor in providing for its positive economic growth, focus on geopolitics, and expansion into global institutions.

From the analysis thus far, it seems unwise to have viewed the PRC as a non-status quo actor.

China understands that any direct challenge to US interests would currently be counterproductive. Not only would it risk attracting the unwanted attention of the region's predominant power (the US), but it would push other regional powers closer to

the US. Instead, by rising quietly and making itself economically indispensable through trade and investment, China has created powerful disincentives to any state that might consider acting in ways that are inimical to Chinese interests.⁴⁹

This position highlights that the PRC realized factors within the system limited its ability to translate military power into influence. As a result, it was unable or unwilling to achieve some of its stated national interests through force, but it opened the door to leverage or exploit other non-traditional actors to improve its position. Pursuing this course gave legitimacy to those institutions and served to demonstrate the increased role and influence of non-traditional actors in global politics.

The possibility remained that any number of destabilizing factors in the region could have forced a change in the behavior of the PRC. The future possibility of potential, unrealized scenarios alone should not have altered the policy toward the PRC. A change to the status quo through aggressive military action would have seen the PRC lose more in terms of potential future economic power and diplomatic/cultural influence than it would gain through military conquest. In essence, the limiting factors that the PRC faced within the balance of power made military action less likely.

Adherence to Treaties and Alliances

The fourth and final point of analysis taken from Midford is to determine the most logical intention for Chinese military operations based on the Chinese willingness to engage in and adhere to treaties. Following the logic and actions expressed by the PRC in the previous three points of analysis discussed thus far, it should come as no surprise that China's willingness to accept diplomatic solutions to treaty disputes has dominated its history. As M. Taylor Fravel

⁴⁹ Cook, 56.

indicated in 2010, an aggressively expanding China would be a “clear departure” from past behavior and run counter to China’s grand strategy, hedging “against the United States through improved ties with regional actors.”⁵⁰ The majority of disputes and conflicts that China has incurred from treaty disputes stemmed from the interpretation of border disputes and not the desire to overturn the treaty. The sole focus of true conflict was rooted in the desire to protect former Han territories.⁵¹ The Han compose a common heritage of over ninety percent of the PRC’s population, which creates a natural incentive to value those areas over others as a sense of national identity.⁵² One must take this assessment at face value in today’s context as continued disputes over island chains in the South China Sea offer very real gains from a geopolitical perspective due to the control of the sea and underwater economic resources afforded the owner under international law. This exemplifies the issue with interpretation of policy and action when applying IR theory in isolation. The desire to unify under common cultural pasts is a liberal interpretation of PRC foreign policy. In contrast, a geopolitical intent is realist in nature. In reality, neither theory has to be right or wrong. Strategic planners should create adaptive strategies that address either scenario. All of which underscores the strength of perspective that a pluralistic approach provides.

The PRC’s history of accepting uneven terms in spite of overwhelming military force were strong indicators that it perceived regional stability as a more conducive means toward maintaining and advancing its national interests.⁵³ This concession is illustrative of the bargained

⁵⁰ Fravel, “International Relations Theory and China’s Rise: Assessing China’s Potential for Territorial Expansion,” 510.

⁵¹ *Ibid.*, 519.

⁵² *Ibid.*

⁵³ Fravel, “International Relations Theory and China’s Rise: Assessing China’s Potential for Territorial Expansion,” 507.

interests that arise from agent interaction at multiple levels that create restraints to realpolitik. For these reason, it seems illogical to presume that a growing Chinese military power was a significant threat if the dynamics of its political situation limited the influence to be gained by the use of military force. If anything, it would be more correct to assume China would be more willing to utilize force in order to maintain the status quo. In spite of growing military strength, the PRC was not in position to compete with the United States as a military rival or truly exert its military influence regionally to any productive end. Aggressive actions would alter tentative relationships with other powerful regional military states and affect its standing internationally.

One IR frame or another does not dictate agent behavior in this dynamic. In the event that the PRC were to grow to a point that changes the perception of the regional strategic security based on its capabilities or a change to its limitations, it is likely smaller states would bandwagon to hedge against the growing Chinese position. Ironically, in that scenario, the growth of the PRC military power benefited the US position in the region as growing concerns over a rising China created a greater need for US influence in the region to counter it. Further, any relative power lost by the United States was no more or less a security threat than the increased forward presence by the US military was one for the PRC. In a liberal sense, both nations benefited from the maintenance of regional stability and peace. US presence in the area also provides the PRC with reasonable stability that lessens its own defense requirements. Therefore, one can see that agent actions, counter-reactions, and interests are subject to varied interpretations from either realist or liberal constructs. Therefore, a pluralistic perspective of agent behavior in global politics seems to provide a more holistic view when trying to understand and anticipate agent behavior.

The PRC had a natural incentive to view peace and continued measures of reassurance as its best strategy for continued growth in the system of global politics. The PRC's huge population, domestic unrest, and manufacturing/export driven economy was dependent on ensuring a stable environment so as not to negatively impact its most productive elements of

national power, which are driven by the economy. For these reasons, the PRC's ability to translate military power into influence was once again limited beyond attempts to extend greater influence over disputed territories. From a neo-liberal design, this should have created a greater degree of confidence and certainty, which would have limited the possibility of miscalculations leading to a destabilizing security dilemma. The conflict with this perception and certain elements of the realist school of thought is that it broke from the "self-help" model if the PRC is willing to rely on foreign presence, treaties/alliances, etc. to minimize its need to ensure its own security.⁵⁴

For policy makers who subscribe to these tenets of realism, the focus of the PRC to modernize its military and defensive capabilities seemed justified and expected. Still, as this section has shown, the military modernization efforts of China will take a number of years to accomplish. Further, the costs will be extraordinary with no guarantee that the PRC can afford them in the future at the current rate of production. The fact that the PRC had focused efforts toward moderate military growth is indicative of an actual capacity to grow its military. This should have served as reassurance for the sustainability of the current system through the avoidance of military conflict. It seemed clear that the PRC was not taking drastic measures to become a more offensively oriented military force. Therefore, if states always act in their own self-interests, it would seem that the PRC supported maintaining the status quo to build other elements of national power while seeking to reassure rather than antagonize regional actors. However, the PRC's assertiveness and use of force post-US shift to the Pacific indicate a change or potential acceleration to its strategy.

⁵⁴ Kenneth Waltz, "Structural Realism After the Cold War," *International Security* 25, no. 1 (Summer 2000), 33, accessed December 02, 2015, http://www.columbia.edu/itc/sipa/U6800/readings-sm/Waltz_Structural%20Realism.pdf.

Assuming agents are self-interested or, at least, according to Alexander Wendt, the social construction of the system leads states to believe that they are in such a society, what could drive the PRC to act against its previously conceived best interests to become more revisionist in nature?⁵⁵ The answer in either model depends again on the perception of “best interests.” As has been discussed, an actor’s self-interests are not necessarily self-determined in global politics. The interesting phenomenon that arises from this power limitation dilemma is the emergent role of international institutions that served to allow the attainment of interests through other means. Moreover, it is likely that just as the US perception of the PRC intentions influenced the US pivot to the Pacific, the PRC advancement of activity in disputed territories and increased involvement in international bodies since 2011 was in response to what that “pivot” really meant to Chinese interests. This illustrates the discourse that occurs in global politics that shapes actor interests and actions. In that essence, a defensive realist strategy intent on preserving vital interests seems to fit the PRC actions pre- and post-pivot to the Pacific.

Conclusion of the Military Dimension

This section highlighted the real issues that China faced in trying to translate its growing military power into actual influence pre-US policy shift to the Pacific. China was clearly an emerging military force in the world and especially within the Asian theater. The unique challenges the PRC faced limited its military options, such as:

- geography
- continual issues of domestic unrest
- the existing regional balance of power bolstered by a forward US presence as well as multiple strong economies and capable (nuclear) military forces within the region

⁵⁵ Alexander Wendt, “Anarchy is What States Make of It: The Social Construction of Power Politics,” *International Organization* 46, no. 2 (Spring 1992), 391, accessed October 08, 2015, <http://www.jstor.org/stable/2706858>.

- lack of a modern military force and expense/time to obtain one, which was doctrinally sound, well trained, experienced, and structurally correct to project force and sustain operations through a proven system of logistics and maintenance
- need to maintain a positive international status in order to sustain high rates of continued economic growth to meet the basic needs of its population while attempting to grow other powers of influence internally

The inability for the PRC to translate military power into meaningful amounts of influence to exert its will severely limited Chinese ability to affect the region through force. In the absence of conditionally based shocks to the existing hierarchy and world structure, a reasonable perception existed that the PRC would continue moderate military growth primarily focused on the modernization of the force. The existing constraints of the system due to the distribution of resources and capabilities within the PRC and throughout the region made expansionary or overly aggressive military action less likely.

Operating under this assumption, one would expect to have seen the continuance of the status quo as the PRC looked to grow economically. The continued reassurance policies by the PRC and health of the Asian economic market provided a greater degree of certainty for the security calculations of other regional actors. Additionally, the US position of relative influence expected to grow stronger due to a rising Chinese military. The growth of the PRC military continued to reinforce the need for a forward US military presence that would seek Asian states looking to hedge their security interests against scenarios that could see the PRC become more aggressive. The beginnings of this bandwagon effort post-US pivot seem apparent with an increasing number of military, economic, and diplomatic engagements occurring between the United States and a number of countries in Southeast Asia. The US Army's Pacific Pathways military exchange program designed to increase military-to-military engagements throughout the Pacific is evidence of this. Additionally, in 2009, the Center for Strategic and International Studies in Washington "surveyed 'strategic elites' in nine major countries of the Asian-Pacific region. When asked to choose a country other than their own that would be the greatest source of

peace and stability in the region in ten years, the United States easily topped the list, including among Chinese respondents.”⁵⁶ These are clear indicators that in spite of the PRC’s relative rise in importance in Asian affairs and global matters, the counterbalancing effect which is to be expected in the system from a realist perspective will continue to protect US interests and influence in Asia as well. In liberal terms, the United States and international community should view a strong, cooperative, more internationally involved PRC in a positive rather negative light.

In conclusion, this section highlighted the limitations that the PRC faced in translating its military power into influence. Additionally, it concludes that a rising Chinese military actually does more to strengthen the US position in Asia than it does to reduce it in relative and absolute terms of power and actual influence, which accounts for both a realist and liberal view of the power dimension. That does not mean that future conflict between the two nations is impossible, but the situation exists to promote closeness toward mutual goals rather than create conflict through opposition. The dynamics of this tenuous interaction set the condition for the emergence of adjusted goals and strategies by both agents through a pluralistic lens of IR.

Economic Dimension: Converting Power into Influence

In the previous section, the majority of the focus of evaluation was from a realist interpretation of the “rise of China,” which is most fitting as the center of all realist thought comes down to international relations being driven by state insecurities and the need to survive. Now, the focus shifts toward economic strength and the ability to translate that strength into influence as a true indicator of power. The application of an economic assessment provides several useful insights into the rise of China and the current dynamic with US-Sino relations. Simply assessing rates of economic growth indicate that China was a growing economic power in

⁵⁶ Cook, 22.

2008. Yet, questions remained as to the sustainability of its growth. Further, it was unclear if its economic power truly translated into influence requiring international actors to change their strategic positions. Further, an analysis of aggressive, state-centric measures in comparison to policies where regional growth and global concerns superseded state actions provided insight as to the intent of its policies from either a realist or liberal sense. The more asymmetric its economic partnerships appeared, the more likely that China was following realist patterns of policy development seeking to maximize power at all costs.

International relations theories vary greatly on their interpretation of economics and its role within relations amongst states, specifically as to the role of economies to either keep the peace or contribute to conflict. As the world transitioned toward greater and greater levels of economic interdependence through globalization, how does IR theory best account for changes in the system? The fact remains that emergent qualities of the structural whole cannot be foreseen. However, agents can continually assess their positions to avoid fundamental shock when change occurs. Often, the agent who adapts first or innovates best wins the greater power share if there is one to be gained. In agreeance with Stephen Walt, this serves to illustrate the need for multiple perspectives in assessing global dynamics.⁵⁷ Further, it lends support to the possibility of complexity theory, which itself demands a pluralistic approach, in accounting for the “unanswerables” between varied IR theories.

Once again, interactions of agents at the sub-level enable the emergence of strategies and other groups of agents to provide a means to leverage more power into influence that they could not enjoy on their own. Existing IR theories do not ignore the capacity of international institutions to create either alternate means to gain/exert power and influence (realism) or remove anarchy for the collective gain of all in the structure (liberalism). However, complexity theory offers a

⁵⁷ Walt, 44.

demonstrative model of how they emerge through the interaction of agents within the structure. Once legitimized by other relevant actors in the system, these institutions take on qualities of relevant actors by themselves. Further, as Berger describes within the process of socialization, these institutions continue to exist beyond their perceived relevance.⁵⁸ This gives further credence to their existence as relevant actors capable of creating true influence for their own collective purposes without being mere extensions of any single member actor's self-interests. The emergence of these agents represents a larger set of agents that lead to collective bargained interests of the group. This creates the ability for a non-traditional actor to both influence and be influenced by other actors in the system of global politics. It is important to understand non-traditional actors from this frame of reference as it creates the possibility for agent creation by state/sub-state agent socialization regardless of any particular IR model. Further, it enables non-traditional actors to serve as relevant agents themselves with the capacity to set their own agenda. As will be discussed, the major limitations and options for the PRC in terms of leveraging economic strength into influence flow through these institutions as non-traditional actors.

As with the military section, this economic assessment focuses on what the US administration was facing with the perceived "rise of China" in President Obama's first term of office that contributed to the US pivot to the Pacific as a matter of policy. Further, recall that interactions among agents at the sub-level have varied effects temporally and proportionally with a lack of clarity in direct causal linkages. Thus, assessing the past creates a better appreciation of the Chinese response and the influence of potential emergent properties. Once again, this manner shows the usefulness of applying a pluralistic lens to understand the current dynamics of global politics and best anticipate future dynamics in spite of the complexity of the system.

⁵⁸ Peter Berger and Thomas Luckmann, *The Social Construction of Reality: A Treatise in the Sociology of Knowledge* (New York: Anchor Book, 1967), 47-48.

Economic Interdependence and Trade Expectations

Economic interdependence is the lone common linkage between both major schools of international relations theory, yet the interpretations of its outcome and importance as a causal factor to international relations are at complete odds with each other. As Dale C. Copeland pointed out in his article, “Economic Interdependence and War: A Theory of Trade Expectations:”

Liberals argue that economic interdependence lowers the likelihood of war by increasing the value of trading over the alternative of aggression: interdependent states would rather trade than invade. As long as high levels of interdependence can be maintained, liberals assert, we have reason for optimism. Realists dismiss the liberal argument, arguing that high interdependence increases rather than decreases the probability of war. In anarchy, states must constantly worry about their security. Accordingly, interdependence - meaning mutual dependence and thus vulnerability - gives states an incentive to initiate war, if only to ensure continued access to necessary materials and goods.⁵⁹

As Copeland explained, the neo-liberal view of international relations holds that the current era of globalization saw an increase in economic interdependence, which would make military conflicts less likely as states grow more dependent and satisfied with growing wealth in absolute terms through increased levels of trade and interaction. In this idea, peace prevails as nations share a common interest in gaining wealth. Even in asymmetric relationships, the liberal idea points to peace in that the more dependent nation will choose to continue with trade instead of incurring the costs of severing it.

The realist perspective would be that the more powerful countries continue to pursue asymmetric relationships in order to maximize trading advantages, which leads to the exploitation of disadvantaged countries as sources of less expensive labor and resources in order to maximize their own power share while lessening their dependency on other nations. In addition, realists

⁵⁹ Dale Copeland, “Economic Interdependence and War: A Theory of Trade Expectations,” *International Security* 20, no. 4 (Spring 1996), 5-6, accessed October 02, 2015, <http://www.jstor.org/stable/2539041>.

would argue that greater economic interdependence leads to conflict as lesser states feel disadvantaged in the current arrangement, or states feel excessively dependent on others to meet a certain need. Conflict then becomes likely as states look to alter their position in the arrangement or secure control over their own needs. Both theories are supported by their interpretations of select conflicts, so who is right? What is the better path to peace? That myopic focus becomes overly reductionist. A failure to take a pluralistic appreciation of the complexity of the whole is more likely the surer path to disorder and misunderstanding of the true situation.

Copeland uses his *Theory of Trade Expectations* to help bridge the gap between the interpretations of economic interdependence toward peace or war in an attempt to synthesize the two theories in order to predict state behavior. His idea introduces the “expectations-of-future trade” variable along with levels of dependence to make state actions more predictive.⁶⁰ Thus, high levels of dependence met with a negative outlook for future trade would lead to conflict as states looked to secure their interests, which would be severed if trade ended. As this section progresses, this will be a critical theory to help anticipate the future of China’s trade relations and explain the influence that non-traditional actors had on those decisions. As mentioned in the previous section, China expresses a continual desire to provide reassurance of a “peaceful rise.”⁶¹ The perception of that rise through either realist or liberal points of view has varied interpretations and effects on policy. Moreover, the PRC’s dependence on outsourcing for oil, coal and other natural resources needed to fuel its economic growth stands as an important factor that will shape the future of its trade relations and potentially the continuance of peaceful economic growth.

⁶⁰ Copeland, 6.

⁶¹ Zhiquan Zhu, review of *China’s “Peaceful Rise” in the 21st Century: Domestic and International Conditions* by Sujian Guo, *China Journal*, no. 58 (July 2007): 228-30, accessed October 12, 2015, <http://www.jstor.org/stable/20066356>.

This situation establishes a good basis to determine between state-centric economic policies (realist ideals) and more progressive/idealistic economic policies (liberal ideals) applicable to the Chinese economic growth model in order to interpret how the PRC viewed the future of trade. The continuance of more liberal ideals would indicate a favorable outlook and desire to deepen interdependent ties. A switch to a more protectionist state-centric design would indicate a more pessimistic view of the future and be an indicator of potential conflict in accordance with Copeland's model.

To analyze these factors and determine where China laid on its growth trajectory, a retrospective analysis of the structure and impact of Post-Mao economic reforms is necessary to establish the true levels of Chinese economic growth between 1978 and 2008. Recalling Putnam's "two-level game," it is necessary to analyze the state of the Chinese domestic economy in relation to external economic policies as both shape the agents determined interests and strategies. Additionally, accounting for any externalities or artificialities in the Chinese economic system provides answers as to whether the Chinese growth picture was sustainable or if it was merely a bubble destined to pop. An informed estimation of the intent of Chinese economic policies comes from analyzing the effect of several variables that influenced the Chinese economic position. Providing a long-term analysis of the PRC's growth GDP, balance of payment (BOP) accounts, and fiscal budget balances seeks to identify trends and specify the proximate causes that directly or indirectly affected either the specified trend line or economic indicator.⁶² All of these areas provide more quantifiable terms to assess true economic position of China that influenced the US pivot to the Pacific. These factors demonstrate how effectively the PRC could translate that

⁶² Sources of data were derived from multiple sources (World Bank, IMF, official Chinese Statistical Yearbooks, etc); however, multiple changes in the PRC's economic reporting methods and variances in accounting standards over its transition from a closed economy to a more open one, unreliability of figures before the reform transition, and multiple fluctuations in conversion values due to monetary policy changes caused a degree of variance in the data.

position into real influence, which could affect its foreign policy agenda. If the global structure created limitations, dissatisfaction, or opportunities, emergent properties appear through agent interaction that creates the opportunity for the agent to evolve or risk elimination. Having an understanding of relevant power statuses and motivations helps understand how the PRC would respond to changes in its interpretation of the global dynamics at the time.

The totality of this section enables a more informed observation of the PRC's economic state through 2008, identifies its limiting factors of power-to-influence conversion, and indicates why certain properties emerged between 2008 and 2015 that created the conditions for the PRC to leverage non-traditional actors to grow its influence. The overview demonstrates the PRC growth model, potential, and limitations for outward expansion that the United States observed before announcing a pivot to the Pacific. As this section will show, the PRC's commitment to growing a strong international economy to offset a weaker domestic economy contributed to its overall outward growth model and served as an indicator of the PRC's ability to truly evolve into a world economic power under certain conditions. The conclusion of this section provides a more accurate depiction of Chinese growth and potential from which other actors could assess its ability to translate economic power into influence.

Evolution of Chinese "Capitalism"

The focus of analysis in this report will take place in the post-Mao era of the Chinese economy from 1978-2008. This brief historical overview of the evolution of the Chinese economic and financial policies is relevant to understand the significance of the position of the PRC that the world faced in 2008. As will be discussed, this period influenced several major changes to policies and international actors.

From 1949-1978, China was under the control and leadership of Mao Zedong. The Maoist government was a communist state relatively closed to the free market. The economy was

subject to central government planning, which tightly controlled the vast majority of its economic production potential through strict regulations.⁶³ The government artificially controlled prices and levels of production and directed the allocation of the factors of production as the government best saw fit. The government controlled agricultural production through the consolidation of household farms into large government controlled communes. The central government created a situation where private businesses, multinational corporations, and the existence of firms benefiting from foreign investment were virtually non-existent and advances in the secondary and tertiary sectors were tightly controlled. The government maintained its desire to be relatively autonomous throughout the Maoist period of control, which resulted in a situation where foreign trade was restricted only to goods that the government could not produce itself.⁶⁴

With the death of Mao in 1976, significant changes began to take place. The Communist Party of China, which existed under Mao, gave way to a series of radical economic reforms under the direction of Deng Xiaoping. This was the beginning of the new era of the PRC. The reform policies incrementally transitioned the Chinese economy under the principles of the free market and opened it to greater trade and investment opportunities with the West. The design was to grow the economy in such a way that it would generate sufficient wealth in order to modernize all aspects of the economy and raise the overall standard of living.⁶⁵

The major initial changes moved away from centralized state planning. Initial changes that took place on behalf of the PRC were to allow for the privatization of farms. Farmers

⁶³ Congressional Research Service, *China's Economic Conditions*, by W.M. Morrison, CRS Report no. RL33534 (Washington, DC, 2009), 3, accessed December 01, 2015, <http://fpc.state.gov/documents/organization/134994.pdf>.

⁶⁴ Congressional Research Service, *China's Economic Conditions*, 3.

⁶⁵ *Ibid.*, 4.

gradually gained greater and greater control over their ability to establish their own production levels and participate in selling their crops on the free market.⁶⁶ Additionally, the PRC established four special economic zones (SEZs) in coastal areas with the greatest potential to support the advancement of industrialization and attract foreign investment.⁶⁷ The development of these new market areas offered a great opportunity to boost import/export activity and create a bettered situation for the transfer of technology. As is the case in today's global economy, the "new wealth of nations" does not lie solely in the traditional factors of production, but rather in the levels of education and process technologies to which a nation has access.⁶⁸ China's forward thinking at the time played a crucial role in establishing a base of interchange that fostered its access to high technology. Coupled with investment in education at all levels these measures enabled strong economic growth.

Furthering the advancement of reforms that moved the PRC closer to the established norms of the international free market society, the central government implemented a staged plan of deregulation and privatization of multiple bodies and policies. This provided oversight, planning, and control of economic activity. As a result, provincial and local governments gained greater levels of control and influence as they slowly, but surely, began to increase its participation in the free market.⁶⁹ The aforementioned SEZs gained the most freedoms as test cases for the reforms. As time progressed, the world saw further reduction of the artificial capital measures and a general softening of overall trade barriers by means of greater trade

⁶⁶ Congressional Research Service, *China's Economic Conditions*, 4.

⁶⁷ Ibid.

⁶⁸ José Gustavo Roger, *The Latin American Role in a Context of Economic Globalization* (Buenos Aires: University of Belgrano, 2009), 15.

⁶⁹ Congressional Research Service, *China's Economic Conditions*, 4.

liberalization.⁷⁰ All of which were key to sparking the surge in economic growth, which resulted in the PRC's inclusion to the World Trade Organization (WTO) at the end of 2001. This required even greater reductions of trade barriers on the part of the PRC as it altered its policies to accommodate the legitimized economic institutions dominating the world order. Because of joining the WTO, the PRC took its most significant step toward joining the modern ranks of the international capitalist economies that compose the global economy today. Steady, high growth rates of GDP and an influx of foreign investment highlight the expansion of the economy since 1998. This steady rise is largely due to the PRC's incremental liberalization process and inclusion in the WTO, which opened to the world a market of over one billion people.

As demonstrated later in this paper through the detailed analysis of China's GDP, BOP accounts, and fiscal budgetary policies, the China of 2008 hardly resembled that of the Maoist era and emerged as a rising force within the world economy. The acceleration of trade liberalization since 2008 provided the PRC incredible access and influence over multiple international institutions. In spite of the advances by the PRC to open its economy, a 2009 Congressional report demonstrated that some US policymakers felt "China maintained a number of economic policies that violated its commitments in the World Trade Organization (WTO) and/or were harmful to US economic interests."⁷¹ Political rhetoric aside, the basis for this friction between a perceived rising China and the US economic policies is rooted in IR theory. From a realist US perspective, the PRC's ability to leverage emergent situations in global politics for its gain threatened to alter the balance of power to an undetermined degree. From a liberal US perspective, the PRC's economic artificialities created an unfair advantage and threatened the stability of the system if a rapid correction occurred, which would affect all agents' ability to

⁷⁰ Congressional Research Service, *China's Economic Conditions*, 4.

⁷¹ Ibid.

maximize absolute gains. The following provides evidence that a more pluralistic look into the whole of the economic situation facing the PRC would have provided US policy makers with a more informed image of the limits to the PRC's ability to translate economic power into influence.

Over the thirty-year period of 1978-2008, the PRC evolved as one of the fastest growing economies in the world due to its incremental economic reforms. Over the same period, the PRC experienced an average annual growth of GDP of more than 9% (see Table 1). By 2009, the PRC was the second largest trading nation in the world as the largest exporter and second largest importer of goods.⁷² US government advisors at the time were projecting that the PRC would surpass the United States and become the world's leading economy as early as 2020.⁷³ Foreign trade and investment had grown in China to such an extent that more than "half of China's trade was conducted by foreign firms" and the PRC led all developing nations in foreign direct investment (FDI) received at (US) \$92 billion.⁷⁴ As will be discussed further under the BOP analysis, surpluses in the PRC's current and capital accounts coupled with these FDI inflows made the PRC the world's leader in foreign currency reserve holdings at more than (US) \$2.3 trillion.

⁷² Congressional Research Service, *China's Economic Rise: History, Trends, Challenges, and Implications for the United States*, by W.M. Morrison, CRS Report no. RL33534 (Washington, DC, 2015), 20, accessed January 02, 2016, <http://fas.org/sgp/crs/row/RL33534.pdf>.

⁷³ Kenneth Rapoza, "By 2020, China No. 1, US No.2," *Forbes: Investing*, May 26, 2011, accessed October 25, 2015, <http://www.forbes.com/sites/kenrapoza/2011/05/26/by-2020-china-no-1-us-no-2/#6971681e5d40>.

⁷⁴ Congressional Research Service, *China's Economic Conditions*, Summary.

Table 1. China's Average Annual Real GDP Growth (1960-2008).

Time Period	Average Annual Growth (%)
1960-1978 (pre-reform)	5.3
1979-2008 (post-reform)	9.9
1979	7.6
1980	7.8
1981	5.2
1982	9.1
1983	10.9
1984	15.2
1985	13.5
1986	8.8
1987	11.6
1988	11.3
1989	4.1
1990	3.8
1991	9.3
1992	14.2
1993	14.0
1994	13.1
1995	10.9
1996	10.0
1997	9.3
1998	7.8
1999	7.6
2000	8.4
2001	8.3
2002	9.1
2003	10.0
2004	10.1
2005	9.9
2006	11.1
2007	13.0
2008	9.0

9.82% 30 year average growth rate of GDP

Source: Congressional Research Service, *China's Economic Conditions*, 5. Note: Author amended the original to reflect the thirty-year GDP growth displayed in the text box.

It is evident that the economic reforms of the Post-Mao era positively affected the PRC's process of economic openness and improved its economic position of power and influence, which was on the verge of challenging US influence in the region by 2008. However, the structure and design of the Chinese economic model and domestic policies will show that its continued high rates of growth were uncertain due to varying domestic and international factors that stood to

ultimately limit its growth. As will be demonstrated, the PRC's interpretation of the US policy shift of 2011 was a discourse that changed the existing dynamic and altered the PRC's interests.

Figure 1 displays the evolution of the PRC's economy as described thus far in this section. The nominal values of GDP contained within it demonstrate how instrumental the market based economic reforms were to the growth of the PRC. The initial growth was slow in the 1980s largely due to the incremental transition to openness that was necessary to prevent too many shocks to the system as a whole. The chart denotes some of these incremental steps, such as the return to agricultural privatization and the creation of SEZs. However, with change came unintended consequences in the form of political and social unrest. The clash between ideologies from the established tightly controlled Maoist government and those of a more progressive, "modern" form of government that would interact with greater freedom on the world stage also played a significant role in the slower growth period of the 1980s.

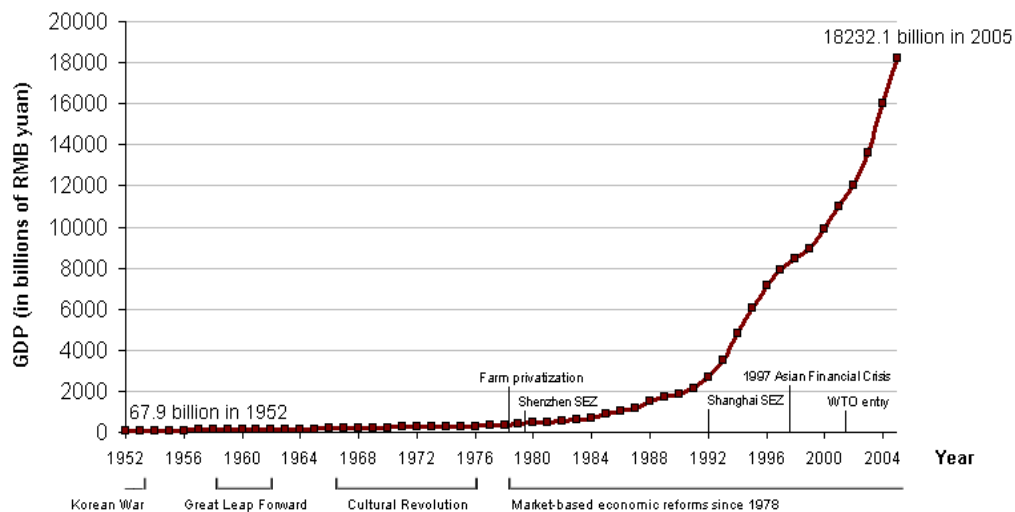


Figure 1. Economic Transition of the PRC in the Post-Mao Era.

Source: "China's Brand New Brand Names," China First Capital, January 30, 2010, accessed November 18, 2015, <http://www.chinafirstcapital.com/blog/archives/1421>.

Steady growth continued and began to rise significantly in the 1990s (see Figure 1). In spite of the caution taken with the change, some measures of liberalization occurred too quickly

as social support systems could not keep pace with the rate of deregulation and privatizations.⁷⁵ This was compounded by other complexities of a free market economy, such as monetary policies (further examined later) that hindered the overall strength of the PRC's banking systems, and financial policies that were one of many contributing factors to the Asian Financial Crisis (1997-1998). Lastly, as mentioned, the PRC's accession to the WTO was a prime factor in Chinese economic success over the decade prior to the US pivot to the Pacific and played a significant role in accounting for the large spike in growth that occurred after 2002.

Growth and Trend Analysis of Chinese Gross Domestic Product

With an established background to understand the overall reasons behind the PRC's economic successes that preceded the US pivot to the Pacific, this study proceeds with the analysis of its GDP growth trends. Table 1 and Figures 1-3 provide a visual display of the high and steady rates of growth the Chinese economy had experienced during the specified period.

⁷⁵ "GDP Growth in China 1952-2009," *Chinability*, last modified 11 March 2015, accessed 24 November 2015, <http://www.chinability.com/GDP.htm>.

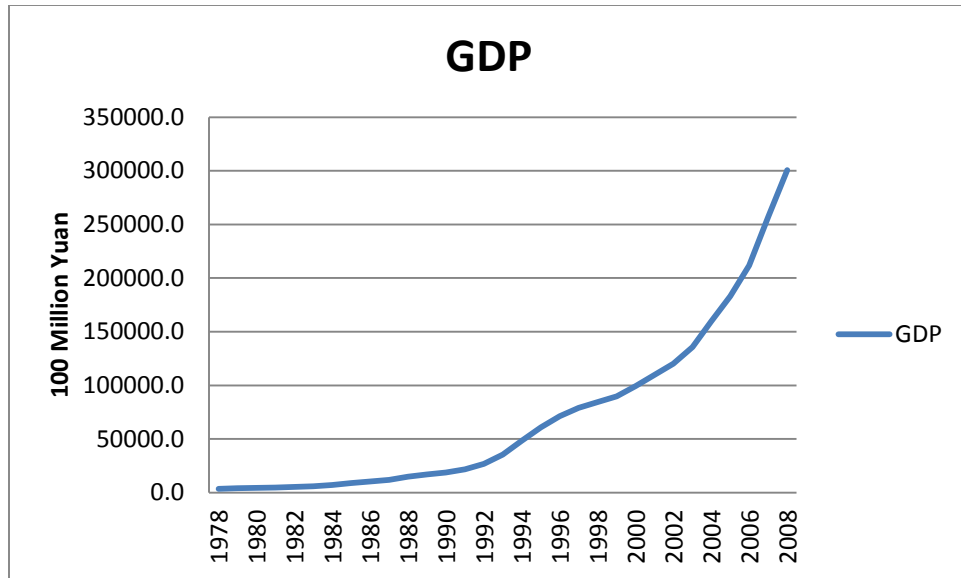


Figure 2. China's Real GDP Growth (1978-2008).

Source: Data from Congressional Research Service, *China's Economic Conditions*, 5. Note: Author created figure from composite of data at the source site.

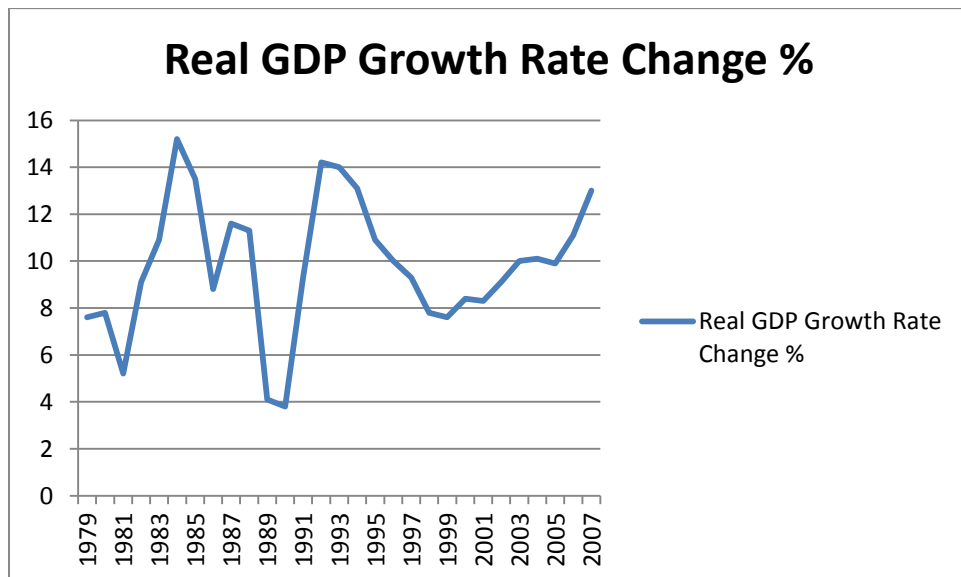


Figure 3. Rate of Growth of Real GDP Growth (1978-2008).

Source: Data from Congressional Research Service, *China's Economic Conditions*, 5. Note: Author created figure from composite of data at the source site.

Per Table 1, the PRC experienced a thirty-year average rate of growth of 9.82%. The World Bank reported that consumption during that time grew at a rate of 8% per year⁷⁶. Additionally, China's strong growth rates pointed toward a healthy absorption of the labor pool for a nation of its size. A 2010 Wharton School of Business report indicated, "China needed to achieve 8% GDP growth to maintain social stability."⁷⁷ According to the study, "GDP growth of 8% would create at least eight million new jobs, potentially absorbing much of the 10 million new job seekers entering the market each year."⁷⁸ With a population in excess of 1.3 billion at the time of the study, the level of sustained growth over three decades was remarkable.

Economic growth does not provide a full picture of a state's development, nor does it automatically equate to influence. In 2005, the Chinese population was in excess of 1.3 billion and on track to continue growing until the year 2030 when it will top out at 1.5 billion.⁷⁹ With a population the size of the PRC, any small variance in economic growth or social development multiplies throughout the masses. With the established need to grow its economy at a minimum of 8% to keep the existing domestic issues from worsening to the point of civil unrest or revolt, the PRC faced great pressures to ensure its growth to meet demands. This placed limits on its options as an agent in global politics. It weakened the PRC's position in the collective bargaining

⁷⁶ David Dollar, "Discussing China's New Growth Model: The Role of Consumption," World Bank, March 12, 2009, accessed November 11, 2015, <http://blogs.worldbank.org/eastasiapacific/discussing-chinas-new-growth-model-the-role-of-consumption>.

⁷⁷ "After China's RMB 4 Trillion Stimulus, Now What?," Wharton School of the University of Pennsylvania, January 20, 2010, accessed November 10, 2015, <http://knowledge.wharton.upenn.edu/article/after-chinas-rmb-4-trillion-stimulus-now-what/>.

⁷⁸ Ibid.

⁷⁹ Zheng Bijan, "China's 'Peaceful Rise' to Great-Power Status," *Foreign Affairs* 84, no. 5 (September - October 2005): 19, accessed October 05, 2015, <http://www.jstor.org/stable/20031702>.

process that defined its interests. Therefore, it lessened Chinese influence to a degree. Ensuring continued growth to pacify the domestic populace is a primary concern for security and survival.

Internationally and regionally, it is important to place the PRC economic growth into perspective to view how it may have been able to leverage power to influence. Moreover, its performance, either real or perceived, would play a major role in emergent strategies of strategic agents within the system of global politics. Following the global recession of 2008 - 2009, the IMF *World Economic Report*, indicated that Asian markets, led by China, were the best postured for economic recovery.⁸⁰ Still, China's economy was still just two-fifths the size of the United States' and only 8% larger than that of Japan.⁸¹ In addition, Russia and India were also emerging economies with growing influence of their own, which naturally limited Chinese ability to exert inordinate levels of regional influence due to competing markets. According to a 2011 World Bank report, in per capita terms, China was a middle-income developing country, ranked 118th in the world in purchasing power parity with Taiwan, Macao, and Hong Kong excluded.⁸² As this section will continue to develop, although the PRC was a growing economy it stood to remain limited in its ability to fully reap the influential rewards of the growth due to regional competition, domestic issues, and high levels of uncertainty over continued growth rates. One aspect of the uncertainty stemmed from the disappearance of any wage advantage, assuming domestic consumption and quality of life standards raised with greater economic advantages.

⁸⁰ International Monetary Fund, *World Economic Outlook: Recover, Risk, and Rebalancing* (Washington, DC: International Monetary Fund, 2010), 61-63, accessed October, 18 2015, <http://www.imf.org/external/pubs/ft/weo/2010/02/pdf/text.pdf>.

⁸¹ World Development Indicators Database, "GDP at Market Prices (Current US\$)," World Bank, accessed November 10, 2015, <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD/countries?page=1>.

⁸² World Development Indicators Database, "Gross National Income Per Capita 2010, Atlas Method and PPP," World Bank, accessed November 10, 2015, <http://siteresources.worldbank.org/DATASTATISTICS/Resources/GNIPC.pdf>.

Further, uncertainty remained due to the artificialities and restrictions that limited the PRC's full immersion into the world's free economic and financial systems. For these reasons, its relative impact on the world economy was limited and its growth potential was uncertain. These uncertainties would have been apparent to both US and Chinese policymakers at the time.

As can be determined from the growth rates shown in Table 1 and Figures 1-3, economic growth had been consistent since the initial implementation of reforms. The PRC saw GDP rise from (US) \$362.4 billion in 1978 to (US) \$30 trillion in 2008. Additionally, the PRC had sustained a consistent decline in the primary industry from 28% of GDP in 1978 to a meager 10% of GDP by 2013.⁸³ This is a critical indicator in the development of modern economies as it indicates increases in necessary manufacturing (secondary industry) and service (tertiary industry) sectors of the economy. Consistent with economist Michael Porter, a crucial flaw in most developing nations is their inability to keep pace with developed nations in terms of "specialized factors of production," such as skilled labor and infrastructure that enable competitive advantage.⁸⁴ Developing nations that cannot break from an economic structure focused on the primary industry will not be able to close the important gaps of information, education, and technology that create so much disparity in the world today.⁸⁵ For that, this evolution of the PRC's economic structure gave more credence to its sustainability and potential for future competitiveness.

Understanding the context behind the PRC's successes and setbacks during the reforms is critical to understanding how pre- and post-US pivot to the Pacific affected the PRC economic

⁸³ "GDP Growth in China 1952-2009," *Chinability*, last modified 11 March 2015, accessed 24 November 2015, <http://www.chinability.com/GDP.htm>.

⁸⁴ Michael Porter, *The Competitive Advantage of Nations* (New York: Free Press, 1998), 71.

⁸⁵ Roger, 12.

strategy. As noted in Figure 1 and the previous section, the post-Maoist economic reforms took place in stages that had a direct correlation to the changes in GDP. China's rapid economic growth was largely attributable to two main factors: first, the large scale capital investments that occurred through large domestic savings and FDI, which prevented borrowing to spur growth; second, the large scale and rapid growth of production, generated through an export-led economic plan and large available labor pool.⁸⁶ Overall, the economic reforms and inclusion in the WTO led to more efficient production procedures and allocations of resources. This enabled the government to pass the savings on to other areas of the economy in order to sustain growth. However, as was apparent in the late 1980s - early 1990s as well as the 1997 and 2008 financial crises, the PRC's economy remained a delicate balance susceptible to internal and external shocks that limited the pace of deregulation.⁸⁷ The aforementioned limiting factors and uncertainties inherent in the Chinese model should have stood as the biggest areas of concern for strategic planners who were assessing the PRC's growth rates and true economic power status. For the PRC, the ability to translate that power to influence became increasingly more difficult as regional competition and external pressures from international institutions added pressure to China to conform to its norms. Western influence over the majority of world economic and financial institutions created an undesirable situation for a non-Western developing nation aspiring to grow its power within said institutions.

The PRC, especially since joining the WTO, faced increasing pressure to liberalize its economic and financial markets. The delicate balance between domestic and international politics forced the PRC to fight to maintain its gradual path toward openness. From a liberal sense,

⁸⁶ Congressional Research Service, *China's Economic Conditions*, 5.

⁸⁷ "GDP Growth in China 1952-2009," *Chinability*, last modified 11 March 2015, accessed 24 November 2015, <http://www.chinability.com/GDP.htm>.

encouraging closeness and gradual trade liberalization with the PRC would have been the recommended course of action with a focus on absolute gains through cooperation. From a realist perspective, the growth indicators would have seemed threatening and the United States would have had the option to distance itself from the PRC as it attempted to stymie greater Chinese integration into the world market. As will be examined, the United States seemed to choose an approach somewhere in the middle. The United States espoused economic closeness but sought to maintain its position of power. This is consistent with a 2011 statement by Former US Secretary of State, Hillary Clinton, when she said the United States sought to “develop a positive, cooperative, and comprehensive relationship with China.”⁸⁸ In addition, the US State Department claimed, “for eight consecutive administrations, Democratic and Republican, US policy has been to encourage China’s opening and integration into the global system.”⁸⁹ However, as the PRC continued to liberalize its markets and financial institutions, the United States stood resistant to support PRC economic initiatives and policies that did not conform to Western standards.⁹⁰ Specifically, the US failed to support the development of the Asian Infrastructure Investment Bank (AIIB) that the PRC initiated to create more funding and developmental organizations intended for developing Asian markets.⁹¹ This tension between liberal and realist agendas creates a conflicting narrative, which indicates the two-level game at play in global politics. Further, it

⁸⁸ Hillary Clinton, quoted by Stephen Kaufman, “US Seeks ‘Positive, Cooperative and Comprehensive’ China Ties,” US State Department, January 14, 2011, accessed December 05, 2015, <http://ipdigital.usembassy.gov/st/english/article/2011/01/20110114142621nehpets0.8881647.html#axzz43OO4MBPu>.

⁸⁹ “China,” US State Department, September 6, 2011, accessed December 05, 2015, <http://www.state.gov/outofdate/bgn/china/189475.htm>.

⁹⁰ Hillary Clinton, quoted by Stephen Kaufman, “US Seeks ‘Positive, Cooperative and Comprehensive’ China Ties.”

⁹¹ “The Asian Infrastructure Investment Bank: The Infrastructure Gap,” *Economist*, March 21, 2015, accessed December 01, 2015, <http://www.economist.com/news/asia/21646740-development-finance-helps-china-win-friends-and-influence-american-allies-infrastructure-gap>.

evidences the need for the astute planner to apply an open-mind and a pluralistic approach when seeking to understand the dynamic nature of global politics.

Evolution and Analysis of China's Balance of Payment Accounts

The PRC's growth has been steady and impressive since the implementation of economic reforms. Its BOP accounts have been a point of friction since even before the PRC joined the WTO. The PRC currently maintains surpluses in both the capital and current accounts, which when coupled with other economic factors and policies have led to the largest accumulation of foreign currency reserves in the world.⁹² Internationally this hurts the PRC's trade position to maintain such high trade surpluses with other nations, but corrective actions could lead to worsening domestic conditions if not implemented correctly. For the PRC, the problem remains complicated. The PRC continues to seek a balanced solution to prevent major shocks to the fragile PRC domestic situation while maintaining a sustainable rate of growth without alienating itself from foreign trading partners.⁹³

So, where did the imbalance begin and why? China's BOPs reporting did not resume until 1985, so there are some discrepancies in data reporting.⁹⁴ This has made a lengthier analysis difficult to produce. Nonetheless, the information described in the early period of reforms is important to note as it set the stage for BOP growth in the PRC. 1978-1981 was a period of

⁹² "Country Comparison: Reserves of Foreign Exchange and Gold," *The World Factbook 2013-14*, last modified December 31, 2015, accessed January 02, 2016, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2188rank.html>.

⁹³ Balance of Payments Analysis Group, *2014 China's Balance of Payments Report* (Beijing: State Administration of Foreign Exchange, 2014), 71.

⁹⁴ *Encyclopedia of the Nations* (Mount Prospect, IL: Advameg, 2016), s.v. "China - Balance of Payments," accessed November 21, 2015, <http://www.nationsencyclopedia.com/Asia-and-Oceania/China-BALANCE-OF-PAYMENTS.html>.

current account surpluses as the PRC exports generally exceeded imports. However, it was an “estimated (US) \$1.1 billion in 1978 and (US) \$1 billion in 1980, derived from increased earnings in tourism, shipping, and remittances from Hong Kong and other sources that resulted in overall current accounts surpluses of (US) \$900 million and (US) \$1.2 billion in 1978 and 1980, respectively.”⁹⁵ The PRC’s desire to bolster industrialization capacities at the time led to a capital account deficit of (US) \$1.1 billion in 1978.⁹⁶ The 1980s saw a slower period of growth due to a transition period in moving from a communist state-controlled economy toward a free market economy. Additionally, these social and political divergences compounded the problems that continued to weaken the economy, which prompted the PRC to slow economic liberalization.⁹⁷ As reflected in Figure 4, the PRC’s decision to go to a managed float exchange system in 1991 coupled with steady currency devaluation bolstered the trade account.⁹⁸ Additionally, much like the resurgence of GDP during this timeframe in the previous section, the reconciliation of political divergences and easing of social tensions in 1991-1992 returned foreign dollars in the form of tourism and a surge in FDI.

⁹⁵ *Encyclopedia of the Nations*, s.v. “China - Balance of Payments.”

⁹⁶ *Ibid.*

⁹⁷ “GDP Growth in China 1952-2009,” *Chinability*, last modified 11 March 2015, accessed 24 November 2015, <http://www.chinability.com/GDP.htm>.

⁹⁸ *Encyclopedia of the Nations*, s.v. “China - Balance of Payments.”

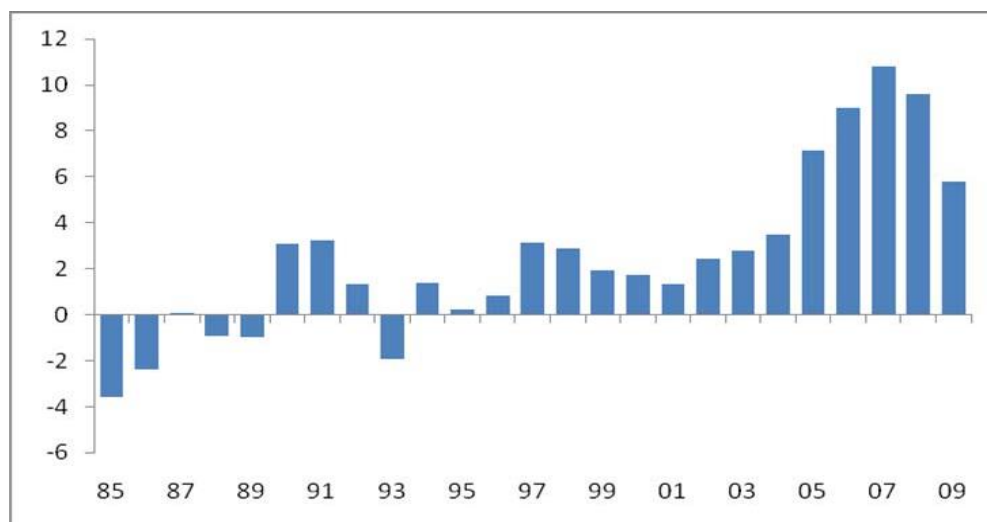


Figure 4. China's Current Account Balances (1986-2009) (% GDP).

Source: Huang Yiping and Tao Kunyu, "Causes and Remedies of China's External Imbalances," Peking University: China Center of Economic Research, February 25, 2010, 3, accessed November 22, 2015, http://www.eaber.org/sites/default/files/documents/CCER_Huang_1_2010.pdf.

The PRC entered a critical area in its reforms in the decade prior to President Obama's tenure in office that undoubtedly shaped his administration's policy toward the Pacific. Figure 5 demonstrates the balances of the capital and current accounts from 1997 to 2008. The first key area to focus on from this graph is the effect of the Asian Crisis (1997-1998). It contributed to the only capital account deficit during this twelve-year period. This arose as "approximately half of China's loans came from the Asian Development Bank, the World Bank, and Japan with external debt reaching (US) \$159 billion in 1998. The PRC had some (US) \$147 billion in official reserves, but state industries had accumulated a huge amount of what was called triangular debt" contributing to the capital account deficit.⁹⁹ Second, the inclusion of the PRC into the WTO in 2001 contributed to initial changes in the amounts of surpluses. However, they began to narrow due to policy implementation. Third, the high distortion of the current account began to accelerate after 2004, which is the next topic covered under the BOP discussion.

⁹⁹ *Encyclopedia of the Nations*, s.v. "China - Balance of Payments."

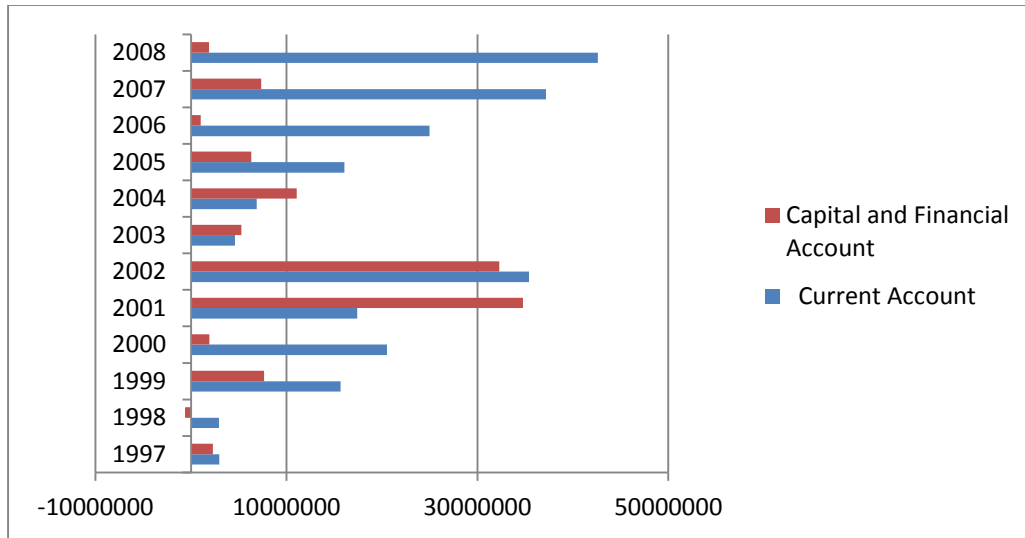


Figure 5. China's BOP Balances (1997-2008).

Source: Data from National Bureau of Statistics of China, accessed November 20, 2015, <http://www.stats.gov.cn/english/Statisticaldata/AnnualData>. Note: Author created figure from multiple year composite of BOP data from the source site.

In spite of the distortions of the PRC account balances, Figure 4 shows that such large current account surpluses only began to emerge and sustain high disproportional amounts since 2004. Peking University Professor Huang Yiping provides several ideas that help explain this surge in the current account since 2004. Yiping offered that the PRC's large external BOP imbalances were problematic in that China was essentially exporting capital to wealthier nations.¹⁰⁰ Further, the perception of being a net exporter in the globalized market can damage relations with international trading partners. Specifically, it could affect a nation's ability to sustain long-term growth as trading partners may turn away from one-sided trade relationships in favor of more balanced ones. This ties to the problems mentioned in the introduction of this

¹⁰⁰ Huang Yiping, "Fixing China's Current Account Surplus," *East Asia Forum: Economics, Politics and Public Policy in East Asia and the Pacific*, December 13, 2009, 1, accessed November 20, 2015, <http://www.eastasiaforum.org/2009/12/13/fixing-chinas-current-account-surplus>.

section concerning asymmetries in trade, which can be problematic from a realist perspective as it leads to unhealthy dependency. Additionally, the PRC faced inflationary pressures and its “rapid accumulation of foreign-exchange reserves also made China vulnerable in the face of US dollar adjustment”¹⁰¹ These realities shaped the PRC’s interest in reducing these external imbalances. Again, this was evidence of a socialized bargaining process to reach a larger acceptable collective interest in the global dynamics of economic trade. Evidence of this desire to reduce the surpluses began in 2003 as, among other measures, the yuan appreciated slightly, and existing export tax subsidies reduced.¹⁰² Both were strong signs of the PRC attempting to slow the rate of exports compared to the inflow of imports. As Figure 4 shows, the current account surplus continued its upward movement from 2003 to 2007.

So, how did this happen? As Huang presents, several explanations contributed to the problem:

- Measurement errors: The so-called “hot money” inflows disguised in forms of export revenues or income transfers probably exaggerate the current account surplus
- Saving and investment gap: The extraordinarily high saving rate, which is determined by various economic and cultural factors, results in large saving- investment gap and, therefore, massive current account surplus
- Industry relocation: Relocation of industries from other East Asian economies to China in recent years also transfers trade surpluses from these economies to China
- By-product of policies promoting growth: The government policies promoting exports and GDP growth and pursuing full employment boost domestic production and external surpluses
- Exchange rate distortion: An undervalued currency raises exports and depresses imports, and thus inflates China’s trade surplus.¹⁰³

¹⁰¹ Huang Yiping, “What Caused China’s Current-Account Surplus?,” Center for Economic and Policy Research: Policy Portal, April 16, 2010, 1, accessed November 21, 2015, <http://www.voxeu.org/article/what-caused-china-s-current-account-surplus>.

¹⁰² Ibid.

¹⁰³ Yiping and Kunyu, 3.

Additionally, as the PRC liberalized the goods market, the non-liberalized controls in the factors market caused distortions. These distortions caused a depression of overall prices for inputs of production, which enabled PRC manufacturers to produce goods at a lower price that gave them a trade advantage.¹⁰⁴ When added to the low consumption and high savings propensity of the Chinese people, it only served to further drive the PRC disparity of exports to imports. Further, Figure 6 shows that the goods trade had been the dominant factor in periods of current account surpluses over the decade leading to 2008. Transfers (workers' remittances, donations, tax payments, foreign aid and grants, etc.) also managed to stay in surplus during this timeframe, but even at its highest point it was only a fraction of the overall current account surplus. While other factors have contributed to the imbalance, a combination of all of these factors created the large current-account surpluses in the years before the US pivot to the Pacific. Ironically, for the PRC, this stood as both a detriment and a byproduct of necessity. This dilemma reinforces a central theme behind this research; self-interests are not self-determined. The PRC's delicate economic rise in the Post-Mao era has been a balancing act between both domestic and external demands shaping its interests.

¹⁰⁴ Yiping, "What Caused China's Current-Account Surplus?"

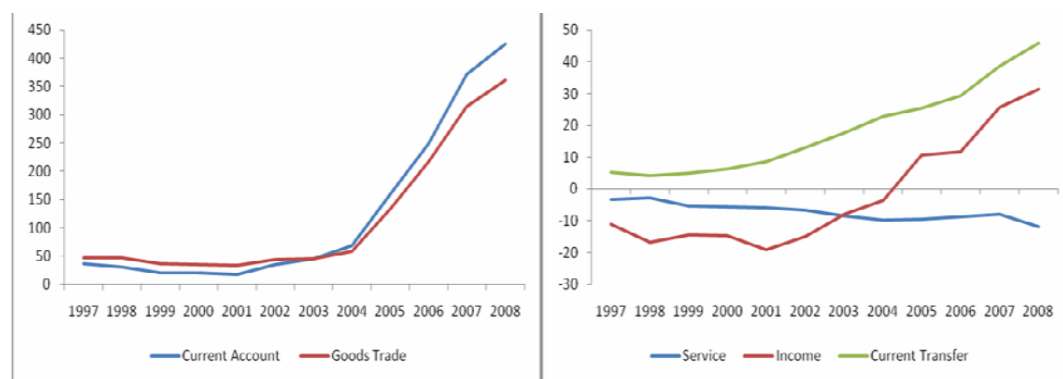


Figure 6. China's Current Account Balances by Categories.

Source: Huang Yiping and Tao Kunyu, "Causes and Remedies of China's External Imbalances," Peking University: China Center of Economic Research, February 25, 2010, 3, accessed November 22, 2015, http://www.eaber.org/sites/default/files/documents/CCER_Huang_1_2010.pdf.

As explained, the Asian Crisis and WTO accession were major events affecting the deficit levels in the capital account. The imbalances in the PRC's capital accounts arose largely due to financial policies that artificially controlled interest rates and credit allocations. Additionally, domestic policies were in place to be more restrictive on outflows of investment capital by local nationals than it was on inflows of FDI monies.¹⁰⁵ Finally, the PRC's monetary policy to manage the float of the yuan had kept it undervalued for the majority of the Post-Mao reform period.¹⁰⁶ The PRC utilized these systems and more to control its capital account.

The restrictions on capital outflows and foreign borrowing prevented the full liberalization of the system, but they also enabled the PRC to depend on its high FDI inflows and foreign currency reserves to improve the economy and infrastructure in lieu of increased public spending or borrowing to raise capital. This kept the national debt relatively low. For these reasons, one could deduce that the PRC's management of its capital account factors benefited it

¹⁰⁵ Yiping and Kunyu, 15.

¹⁰⁶ Ibid.

greatly during the era of globalization. Although, the artificialities injected into its system are a point of international debate due to “fairness” in trade.¹⁰⁷ When assessing the continued growth potential of the PRC economy, analysts and policymakers had to account for the uncertainty of the PRC’s continued growth if the restrictions were removed or lessened.

At the onset of the 2008 recession, the potential impact on the domestic PRC economy affected this situation as much as the international dissatisfaction in retaining the artificialities. The restrictions prevented the expansion of the PRC multinational corporations, as it was more difficult for Chinese entrepreneurs to receive approval to operate internationally. In addition, the PRC’s accession to the WTO and potential for economic expansion seemed to be incentive for its service industries to grow, such as banking and insurance. However, (refer to Figure 6) by looking at the current account, one can see that the service sector was the only sector to maintain steady deficits since 1997. One can assume that the failure to liberate the capital account factors played a role in that occurrence. Additionally, the large accumulation of foreign currency reserves and failure to let the yuan float freely at the time made the PRC susceptible to external economic fluctuations.

Once again, balancing external and internal pressures defined the PRC’s path and tempo toward greater degrees of trade liberalization. In 2008, assuming that the ultimate goal for the PRC may have been the complete liberalization of the capital account elements and financial markets to overcome pressures from the international community, one has to remember that the domestic economy depended on the redistribution of wealth generated from these imbalances to stabilize the nation. Huge disparities existed between the rural and urban areas in terms of wealth, income, infrastructure, etc. The nation was by many measures still considered “developing.” Therefore, it was prudent for the PRC to adjust its regulation policies in a manner that best suited

¹⁰⁷ Congressional Research Service, *China’s Economic Conditions*, 1.

its domestic sustainment to avoid the economic setbacks and civil unrest that it experienced in the late 1980s when the PRC deregulated too quickly. Global political actors must negotiate their interests within their interpretation of the global dynamics. This bargained interest process leads to acceptable strategy development. The complex nature of the true system of global politics continually changes with every agent evaluation and action/reaction within the system. Therefore, adaptive strategies should be designed/redesigned with the sole intent of seeking the most favorable advantage available at a given point within the system.

The 2008-2009 recessions and perception that a US pivot to the Pacific would challenge PRC interests forced an acceleration in deregulation and reform to gain greater access and influence into the world financial institutions.¹⁰⁸ This is an inherent problem in the Chinese model that tries to mix more liberalized trade policies with a communist state government, which transitions the discussion to fiscal policy.

Evolution and Analysis of Chinese Fiscal Policy

Figures 7 and 8 demonstrate that China's fiscal condition was relatively healthy in 2008. Both total government revenue and expenditures had been rising steadily since the 1990s. As depicted in Figure 7, the fiscal deficit had risen incrementally since 1999, except for one surplus in 2007. Still, the PRC's fiscal deficit remained relatively stable as it "averaged 1.4% of GDP" between 1994-2013 (see Figure 4).¹⁰⁹ This section explores the fiscal revenues and expenditures of the PRC in the years leading up to the US pivot to the Pacific in an attempt to truly measure

¹⁰⁸ Bloomberg News, "IMF Approves Reserve Currency Status for China's Yuan," *Bloomberg Professional: Foreign Exchange Blog*, November 30, 2015, accessed December 15, 2015, <http://www.bloomberg.com/professional/blog/imf-approves-reserve-currency-status-for-chinas-yuan/>.

¹⁰⁹ "China Economic Outlook," *Focus Economics*, February 23, 2016, accessed March 03, 2016, <http://www.focus-economics.com/countries/china>.

the health and trajectory of its national economy at the time. This measure is important from an IR lens to gauge the agent's ability to overcome domestic constraints and leverage power to influence externally.

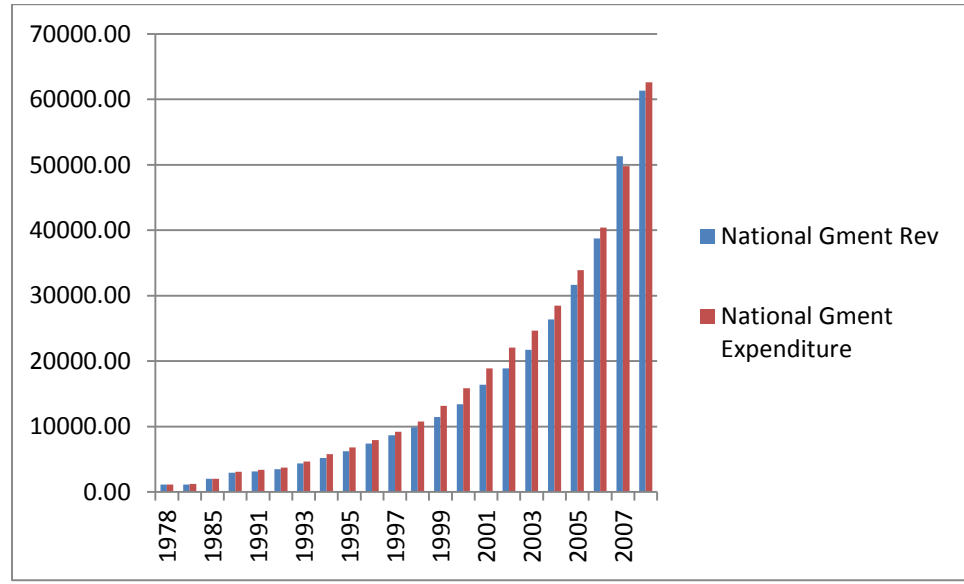


Figure 7. Chinese Fiscal Budget Analysis

Source: Data from National Bureau of Statistics of China, accessed November 20, 2015, <http://www.stats.gov.cn/english/Statisticaldata/AnnualData>. Note: Author created figure from multiple year composite of national government revenue and expenditure data from the source site.

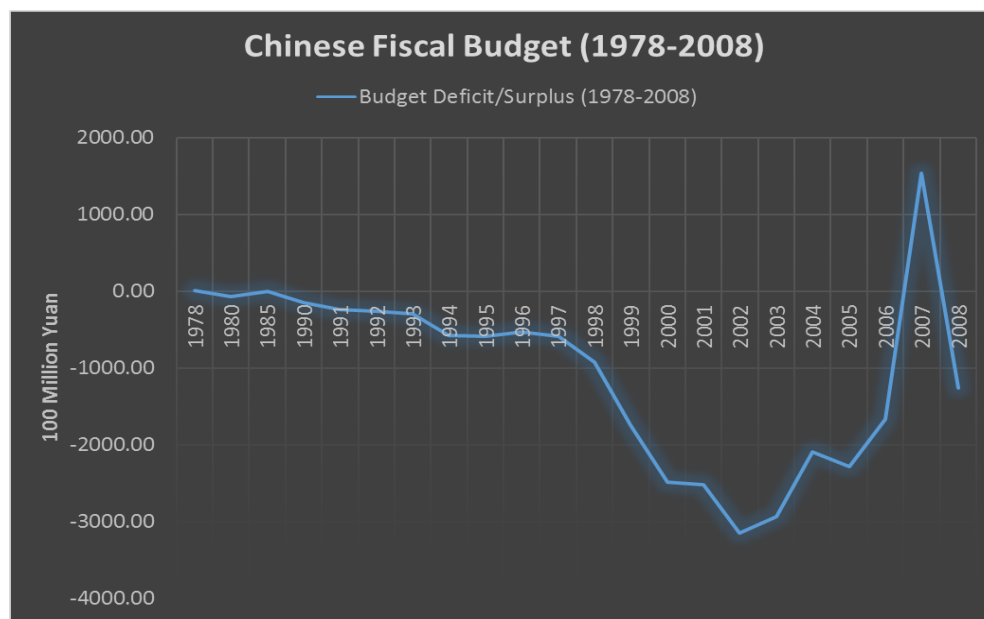


Figure 8. Chinese Fiscal Budget Surpluses and Deficits.

Source: Data from National Bureau of Statistics of China, accessed November 20, 2015, <http://www.stats.gov.cn/english/Statisticaldata/AnnualData>. Note: Author created figure from data in the 2009 statistical yearbook.

Although the transition to a “socialist free market economy” in the Post-Mao era has caused some growing pains, the PRC took deliberate and incremental measures to ensure adequate revenue was generated, distributed, and spent in a productive manner that promoted growth and focused on closing the gaps between rural and urban areas. The 1994 tax reforms were perhaps the most significant step toward more focused fiscal management in an uncertain and developing economy. The 1994 reforms established rules for inter-government transfers, assigned taxation authorities between the central and local governments, and, most importantly for revenue generation, introduced the value added tax (VAT).¹¹⁰ VATs are taxes on the

¹¹⁰ Ehtisham Ahmad, Raju Singh, and Mario Fortuna, “Toward More Effective Redistribution: Reform Options for Intergovernmental Transfers in China,” (IMF working paper, International Monetary Fund, 2004), 3-4, accessed November 10, 2015, https://www.researchgate.net/publication/5124563_Toward_More_Effective_Redistribution_Reform_Options_for_Intergovernmental_Transfers_in_China.

estimated market value added to a product or material at each stage of its manufacture or distribution, which are ultimately passed on to the consumer. This enabled the PRCs manufacturing sector, as a member of the WTO, to produce large amounts of revenue for the national government as the actual costs were passed on to the production process. Additionally, the labor force benefited by gaining more disposable income to boost consumption.

Figure 7 shows that the PRC total government revenue grew at a healthy rate of 18.1 % a year since 1990 compared to a growth rate of 17.8% for total government expenditures. Between 2006 and 2007, revenue saw an incredible single year-to-year growth of 32.4% and marked the first non-deficit period since before the Asian Crisis (Figure 8). From analyzing the China Statistical Yearbooks over this period to isolate what caused this significant change in revenue, it is difficult to determine. The PRC changed the line item categorizations of government revenue and expenditures in 2007 to make it more in-synch with universal standards in order to improve transparency, which signified additional signs of the PRC's willingness to further conform to the international standards. As a result, the balance sheets vary from 2007 forward. Of the like items on both sheets (2006-2007), the PRC saw significant increases in:

- Consumption Tax, which saw a 17 % year-to-year rise.
- Value Added Tax, which saw a 21 % year-to-year rise.
- Business Tax, which saw a 28.3 % year-to-year rise.
- Consumption Tax and Value Added Tax on Imports, which saw a 23.9 % year to year rise.
- Resource Tax, which saw a 26 % year-to-year rise.
- Urban Maintenance and Development Tax, which saw a 23 % year to year rise.
- Corporate Income Tax, which saw a 24.7 % year-to-year rise.
- Personal Income Tax, which saw a 29.8 % year-to-year rise.
- Tariffs, which saw a 25.4 % year to year rise.¹¹¹

¹¹¹ "Annual Data," National Bureau of Statistics of China, accessed November 20, 2015, <http://www.stats.gov.cn/english/Statisticaldata/Annual>. Data reflected for this year-to-year comparison can be found under the government finance tabs of the 2007 and 2008 Chinese Statistical Yearbooks.

The rest of the significant year-to-year changes have varied reporting categories, which prevent an accurate assessment. However, in 2007, 89% of total revenue came from tax revenue with only 11% of tax revenue deriving from non-tax sources.¹¹² In addition to these deliberate steps, the PRC made significant tax reforms in 2004 and 2009. Both of these reform periods came in response to major events, adjustments to the 2001 WTO accession with the former and the 2008 financial crisis with the latter. The PRC intended these tax reforms to place more burdens for revenue generation on VATs and corporations while relieving burden to individuals.¹¹³ Figure 9 demonstrates clearly that in a record year of tax revenue growth, the vast majority of the tax burden came from VATs, businesses, and corporations. Like government revenue, national expenditures grew substantially in the Post-Mao era. As stated, the total government expenditures for the PRC since 1990 grew at a rate of 17.8% per year. This is to be expected in an expanding nation that is continuously investing monies in a Keynesian sense to grow infrastructure, train/educate human capital, and improve medical and health support systems. All of which were necessary to sustain the rapid growth that the PRC experienced over the thirty years of study in the Post-Mao era. Figure 10 demonstrates this growth oriented expenditure approach. Once again, this demonstrates a delicate balance between the need to satisfy domestic stability concerns and an export driven economic model.

¹¹² “Main Items of National Government Revenue of the Central and Local Governments (2007),” Chinese Statistical Yearbook 2008, accessed November 20, 2015, <http://www.stats.gov.cn/tjsj/ndsj/2008/indexeh>.

¹¹³ Jing Cai and Ann Harrison, “The Value Added Tax Reform Puzzle,” (working paper 17532, National Bureau of Economic Research, 2011), 2, accessed November 14, <http://www.nber.org/papers/w17532.pdf>.

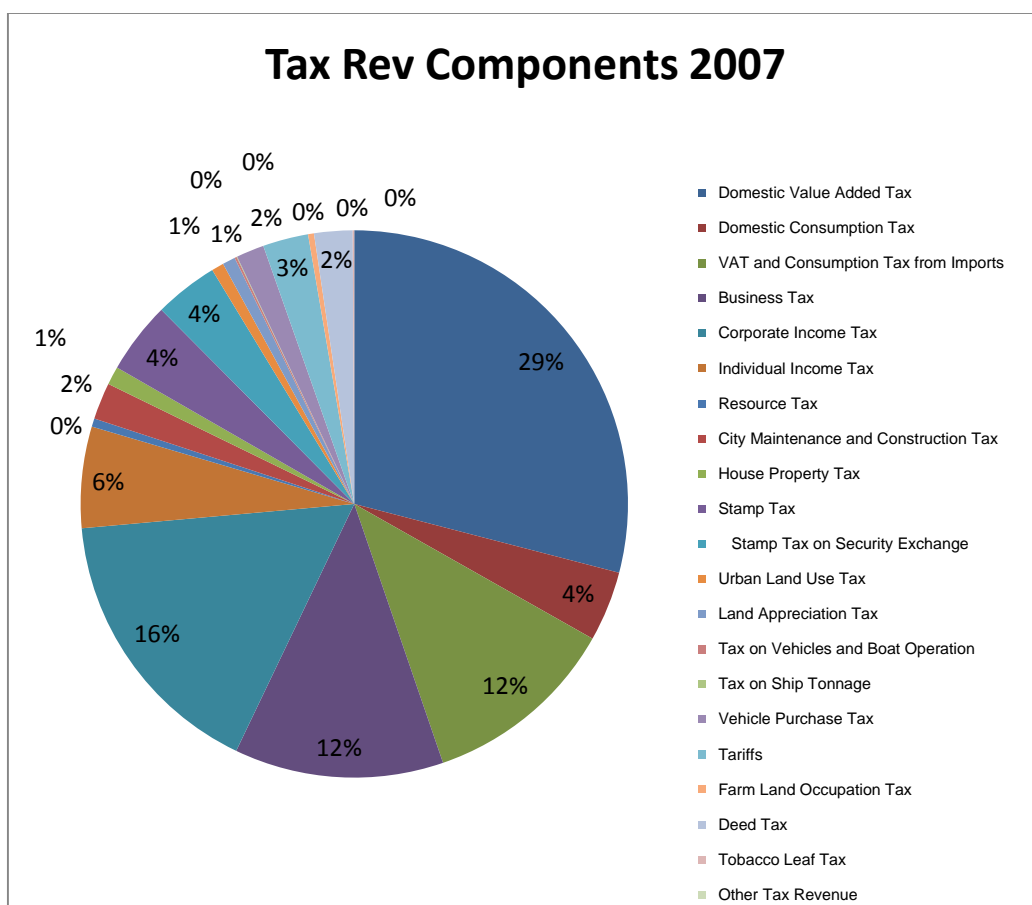


Figure 9. PRC Sources of Tax Revenue (% of total tax revenue).

Source: Data from National Bureau of Statistics of China, accessed November 20, 2015, [http://www.stats.gov. cn/tjsj/ndsj/2008/indexeh](http://www.stats.gov.cn/tjsj/ndsj/2008/indexeh). Note: Author created figure from data in the 2008 statistical yearbook.

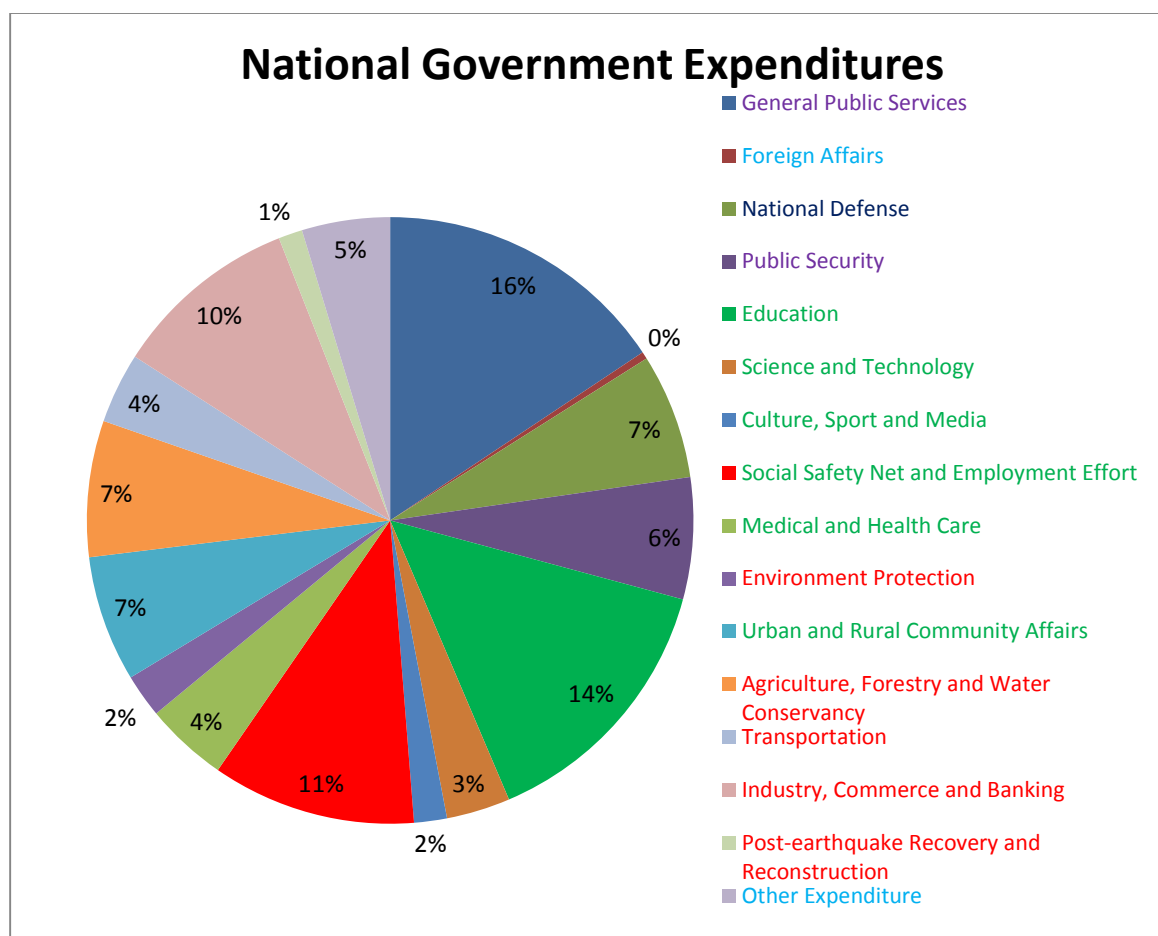


Figure 10. National Expenditure Allocation (2008).

Source: Data from National Bureau of Statistics of China, accessed November 20, 2015, <http://www.stats.gov.cn/tjsj/ndsj/2009/indexeh.htm>. Note: Author created figure from data in the 2009 statistical yearbook under the government finance tab.

Table 2. 2008 National Government Expenditure Groupings.

Category	% of Total Expenditures
Society, Culture, Health, Research, and Education	41.54%
Economic Development	24.56%
Administrative Expenses	22.14%
National Defense	6.67%
Other Spending	5.08%

Source: Author created from data within Figure 10. Note: Reference the category names in Figure 10 to understand the groupings in Table 2.

As evidenced in Table 2, with 65% of public spending going toward the improvement of infrastructure and social/educational support systems, the PRC seemed postured to sustain its current growth pattern. However, it seemed reasonable to assume that, in a nation of 1.3 billion, more than 4% of government expenditures could be allocated toward medical and health systems in order to provide a sense of comfort and better care to the populace. As described earlier in this paper, the “new wealth” in today’s global economy can be determined as knowledge (derived through advances in all levels of education, continued education, and specialized skills training) and possession/development of process technologies. It seems clear through review of the trends as reported in China’s statistical yearbooks and this snapshot of 2008 (Figure 10) that China had weighted efforts toward closing the gaps of technology, education, and human resource development that exist between nations of great wealth and nations of less wealth.¹¹⁴

Conclusion of the Economic Dimension

China’s return to a position of world economic influence should come as no surprise. China has always maintained a significant pool of the traditional factors of production (land, labor, location, population, and natural resources) as well as the propensity to excel in areas of education and technology. Clashes of socio-cultural values and political ideologies influenced the PRC to focus inward during the Mao regime, which was not novel for the nation-state. For historical reference, China had the capacity during the Middle Ages to “propel itself as a world industrial leader (the invention of gunpowder, the forge of metal alloys, etc.) but turned its attention to internal political and cultural aspects.”¹¹⁵ The Maoist path to a closed, communistic state followed along those same lines of thought, as China looked to become completely self-

¹¹⁴ Roger, 12.

¹¹⁵ Ibid., 52.

sufficient and virtually isolated from the rest of the world. From an IR theoretical perspective, China chose to grow its power internally. The free market based reforms that define the Post-Mao era transformed the nation into a socialist-capitalist hybrid that has evolved into a major economic influence on the world stage. This led to what the Senior Fellow for China Studies for the Council of Foreign Relations, Adam Segal, described as the goals of Chinese economic statecraft designed to leverage influence from economic power:

First, China uses economic statecraft to secure access to resource markets. Access to sufficient resources is viewed as central to domestic stability and the drive for access accounts for almost all Chinese involvement in Latin America and Africa. Second, economic statecraft is used to prevent the emergence of an anti-China coalition by integrating China within Asia and thus defusing the concerns of China's neighbors with its rise. Concurrently, economic statecraft offers a way to increase China's prestige and signal its interest in playing a central role in world affairs. Finally, economic statecraft provides a means to constrain Taiwan's political freedom of maneuver by both providing Taiwan with incentives for integration with China and deterring outside actors from aiding any Taiwanese efforts at independence.¹¹⁶

Segal goes on to explain that while the PRC has laid out an adequate model to sustain growth, which has changed the course of its nation in the post-Mao era. Chinese attempts to translate economic power to influence are limited due to:

1. Domestic politics in the receiving state (that) can impede Chinese attempts at influence: domestic coalitions often mobilize to oppose the political goals Chinese leaders would like to pursue with their newfound economic power
2. Economic and political agents often pursue multiple competing interests abroad such that their efforts remain uncoordinated and their success uncertain.
3. Alternate sources of investment, trade, and finance provide ways for states to limit their vulnerability to Chinese economic influence.
4. Increased economic power frequently leads China's partners to balance against its influence, either by actively competing with Chinese companies for market share or obfuscating further Chinese economic penetration¹¹⁷

¹¹⁶ Adam Segal, quoted by Joshua Itzkowitz-Shiffrinson, "Assessing China's Rise: Power and Influence in the 21st Century," (workshop report for the Center for International Studies, MIT, Massachusetts, MA, February 27-28, 2009), 9, Massachusetts Institute of Technology Workshop Report, March 7, 2011, accessed November 10, 2015, http://web.mit.edu/ssp/publications/conf_reports/china_rising_workshop_report.pdf.

¹¹⁷ Ibid., 9-10.

The elements of Chinese statecraft and limiting factors described here by Segal offer the perfect mixture of IR power concepts from hard to soft power in both realist and liberal theories. It provides evidence of a pluralistic application of economic power regard to developing strategy from theory. Moreover, if one adds Segal's limiting factors to the areas of concern and artificialities placed upon the full liberalization of the Chinese market mentioned throughout this section, it is clear the PRC's ability to translate economic power to influence was limited in many ways pre-US policy pivot to the Pacific. By 2011, the PRC had risen to become the world's second biggest economy through a strong export-oriented growth model. In so doing, the PRC became limited within the perspective of both mainstream views of international relations theory to leverage influence from those gains. As such, the US perspective mentioned by former Secretary of State Hillary Clinton seemed the appropriate response in attempting to develop a closer partnership with the PRC. The challenge as the world has seen today is managing that partnership and the US' other interests in the Asian market in such a manner that the latter does not create tension with the former and vice-versa. US policy toward China boasts closeness in an economic sense. However, current US actions are increasing regional military presence and being unsupportive of Chinese banking institutions. The PRC could perceive this as potentially aggressive. In turn, the PRC's disregard for its signatory obligations to the United Nations Law of the Sea in interpreting what constitutes a legitimate island appears dismissive to the United States. These actions and others by the PRC present a veiled attempt to exert realist desires to expand geopolitical interests in the South China Sea. In either case, it highlights that discourse and interpretation shapes global politics. Although economic closeness appears beneficial to all parties in a liberal sense, mistrust and uncertainty encourage realist notions of zero-sum gains and balance of power struggles. Once again, this dichotomy dictates that the astute policymaker should maintain a broader aperture when assessing agent behavior and translating IR theory into strategy.

The PRC faced limitations in translating growing economic power into influence, but agents within a complex adaptive system are limited to varied degrees by other agents within the system. Successful adaptation comes in the agent's ability to overcome its limitations to a more successful end. To revisit Copeland's *Theory of Trade Expectations* from the introduction of this economic overview, it would be hard to envision conflict as likely between the United States and the PRC based on the economic state of affairs. The outlook for positive gains from continued interaction and maintaining the status quo have outweighed the costs for both actors. The growth of the Chinese economy was not a direct threat to US interests from a liberal IR perspective. In fact, efforts to pursue greater degrees of trade with China were within the desired economic interests of the United States to increase wealth and strengthen the future US position in Asia as a whole. While this has been the stated policy and followed to some degree, the interpretation of this narrative and other political rhetoric has created an emergent situation wherein the PRC has found ways to overcome some of its established limitations.

From a liberal perspective, the PRC remains in the process of becoming "normalized" into the Western dominated economics and finance arenas. As the PRC continues to grow, it will feel more and more pressure to alter state policies that will alter interactions with third world nations and existing regimes not favored on the international stage due to its internal policies. Such an accommodation to the international order may be counterproductive toward sustained levels of growth, which have to reach 8% annually in terms of nominal GDP to keep a strained domestic economy and lower-income population satisfied. There will come a point where this balance must be reached. Additionally, the danger remains that, as the Chinese standard of living rises, the low-wage advantage will begin to disappear. MNCs may simply begin to move to the next area of advantage. The PRC's continued immediate challenge will be diversifying how its economy generates revenue while growing domestic demand and wages to such an extent that a weakening export market has less shock on the economy.

From a realist perspective, the continued growth of the PRC's hard powers will transcend to alter the regional balance of power due to inevitable security concerns in relative gains, which creates a counterbalancing effect to limit Chinese influence. Additionally, as mentioned in the introduction to this section, the need for deepening degrees of interdependence to sustain economic growth creates vulnerabilities due to the dependent relationships that develop. The PRC's need for oil, fuels, and natural resources creates a greater risk to its national interests in the event of an international energy crisis making geopolitics relevant for Chinese policy evaluation. Additionally, the US and European powers maintain the preponderance of influence in the international community. If China truly threatens a Western dominated power structure, it would be logical to assume to see unification from the Western powers in leveraging their tools of influence to limit it and prevent a change to the status quo. The extent to which other regional powers perceive China's actual levels of power from influence will drive their own foreign policies toward China and the emerging Asian market. This limits Chinese influence in order to maintain the status quo.

Key to the PRC's successful economic evolution is its ability to make the transition on their own terms towards trade liberalization and greater diversification of their economic model. Meanwhile, the United States maintains a marked economic size advantage that is much more diversified and globalized with a much smaller population to support. The United States has key influence in all major existing world financial, security, and trade institutions and a significant worldwide advantage in maintaining production control over the global currency. "In the first half of 2009, the top four of five advisors globally for mergers and acquisitions by transaction size were American investment banks. No East Asian bank made the top ten."¹¹⁸ As the world's leading consumer and lone superpower, US policy seems inclined to allow the PRC to continue

¹¹⁸ Cook, Heinrichs, Medcalf, and Shearer, 17.

unabated as the world's leading manufacturer. A tipping point from an IR perspective would be to allow that growth to the extent that it does not damage the US position in either relative or absolute terms.

The acceleration of activity after the US pivot to the Pacific has seen several of these factors become a point of tension. The limitations that the PRC faces with gaining full accession into certain Western institutions because of its domestic and international policies have created the emergence of additional institutions. Most notably, the Asian Infrastructure Investment Bank (AIIB) is one of several institutions that the PRC has initiated to take the lead on the international stage and promote regional influence where it was otherwise limited. In spite of US opposition to the creation of the bank, multiple US allies in Asia and the West have agreed to join the AIIB.¹¹⁹ This creates an institution that not only affords the PRC greater levels of influence, but it creates a new meta-agent within the system. The varied participants in the AIIB will all shape and be shaped by conforming to the organization. Further, the AIIB will assess into global politics as a relevant non-traditional actor that is shaped by its subordinate actor-members and interaction with other actors on the world stage. This signifies a strong example of emergence where global interaction created an emergent property that became a relevant agent in its own right. Further, the PRC has accelerated its monetary reforms in order to legitimize the yuan and gain influence through existing institutions that control international monetary exchanges. The origins for this acceleration trace to the 2008 global recession when the "People's Bank of China Governor, Zhou Xiaochuan, argued a global system so reliant on a single currency - the US dollar - was inherently prone to shocks. That conviction set off a global push by China's leaders, including -

¹¹⁹ "The Asian Infrastructure Investment Bank: The Infrastructure Gap," *Economist*, March 21, 2015, accessed December 01, 2015, <http://www.economist.com/news/asia/21646740-development-finance-helps-china-win-friends-and-influence-american-allies-infrastructure-gap>.

President Xi Jinping, to have the yuan included in the” IMF’s special drawing rights (SDR) basket.¹²⁰ This makes the yuan only the fifth currency in the SDR basket and places the PRC in a position to support the world economy through a stable and convertible yuan. Inclusion requires the PRC to “play an active role in the international cooperation to maintain financial stability and promote the further opening of China’s capital market and financial area.”¹²¹ Arguably, the PRC would not have pushed to accelerate their deregulation and advanced interests in either endeavor had the situation post-2008 not created an emergent dynamic where the assessment forced China to move faster than possibly desired to secure its interests via other non-traditional actors versus traditional statecraft.

Finally, the question remains, will China continue to be successful in expanding its soft powers of diplomatic and cultural influence to attract other nation states to be more willing to acquiesce to its desires? Those desires reflect the want to promote continued economic success and ready access to natural resources. Again, this creates a liberal-realist tension in foreign policy. With so many uncertainties about the future of the Chinese economy between 2008 and 2011, it seemed premature at best to simply accept that its current rate of economic growth would continue to such an end that the nation would obtain regional or international levels of “superpower” economic strength. Plus, the limits to its current levels of power and potential for regional/superpower counter-actions make it difficult to determine if the PRC could have hoped for more than regional great power status in terms of power from influence derived from its

¹²⁰ Bloomberg News, “IMF Approves Reserve Currency Status for China’s Yuan,” *Bloomberg Professional: Foreign Exchange Blog*, November 30, 2015, accessed December 15, 2015, <http://www.bloomberg.com/professional/blog/imf-approves-reserve-currency-status-for-chinas-yuan/>.

¹²¹ “China’s Premier Asks IMF to Include Yuan in SDR Basket,” *Reuters*, March 23, 2015, accessed December 17, 2015, <http://www.reuters.com/article/china-imf-idUSL3N0WQ18120150324>.

economic strength. As the global political situation changed through agent interaction, the PRC found a way to successfully overcome key limitations and convert power to influence through the emergence and utilization of existing international institutions behaving as non-traditional actors.

Soft Power Dimension: Converting Power into Influence

Continuing with Nye's "three-dimensional chess game" as a framework for assessing the PRC's power status pre-US pivot to the Pacific, this work adapts Nye's lower level to examine the PRC's soft power. Consistent with Nye's model, this level consists of a range of non-traditional actors from sub-state to supranational that influence the distribution of power. Additionally, as with Nye's third level, power diffusion at this level is so extensive that references to polarity or hegemony are near obsolete.¹²² The research into soft power focused on what Nye referred to as the three "primary resources" of soft power which are an actor's culture, political values, and foreign policy.¹²³ These concepts are not common to all across the spectrum of international relations theory. In fact, most realists would disregard them as true measures of power as they are intangible to a degree and lack any real ability for an actor to exert its will in order to coerce actors into submission. For this, Joseph Nye made a clear distinction between what realists viewed as traditional measures of coercive power referred to as hard powers and what he saw as a means of persuasion or attraction in soft power.¹²⁴ Nye went on to stress how hard powers and soft powers are related and intertwined with the ability to "sometimes reinforce

¹²² Nye, *The Future of Power*, xv.

¹²³ Nye, *Soft Power: The Means to Success in World Politics*, 11.

¹²⁴ Joseph Nye, *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990), 32.

and sometimes interfere with each other.”¹²⁵ The composition of these factors helps form the actor’s capacity to attract or repel others. The greater the attraction, the greater the likelihood that influence can be gained from the power.

Dimensions of Power

Soft power is a crucial element within the “spectrum of power behaviors” that demonstrates the utility of a pluralistic understanding of IR theory.¹²⁶ Again, the linkage between turning potential power amassed through rising capabilities into realized power through influence is the critical component. Understanding this variable helps determine an actor’s true position and potential within the international hierarchy. Soft power balances more reductionist/liberal oriented concepts with those of hard powers in order to determine potential power in terms of influence. Nye offers an alternative to hard power politics by adding the soft power dimension by which an actor could gain influence. In effect, this has created a means by which theorists of international relations can synthesize many of the competing ideals between the branches of realism, liberalism, and constructivism. Figure 11 displays both hard and soft powers in relation to the three-levels of power discussed thus far, the tools available to them in the spectrum of power, and where each falls in relation to the broad ideas of realist and liberal theory. Through this visualization, one can better understand the “interplay of hard and soft powers,” which demands a pluralistic approach in understanding global politics.

¹²⁵ Joseph Nye, “Soft Power, Hard Power, and Leadership,” (seminar paper presented at Harvard University, Cambridge, MA, October 27, 2006), 3, accessed October 25, 2015, http://www.hks.harvard.edu/netgov/files/talks/docs/11_06_06_seminar_Nye_HP_SP_Leadership.pdf.

¹²⁶ Nye, *The Future of Power*, 21.

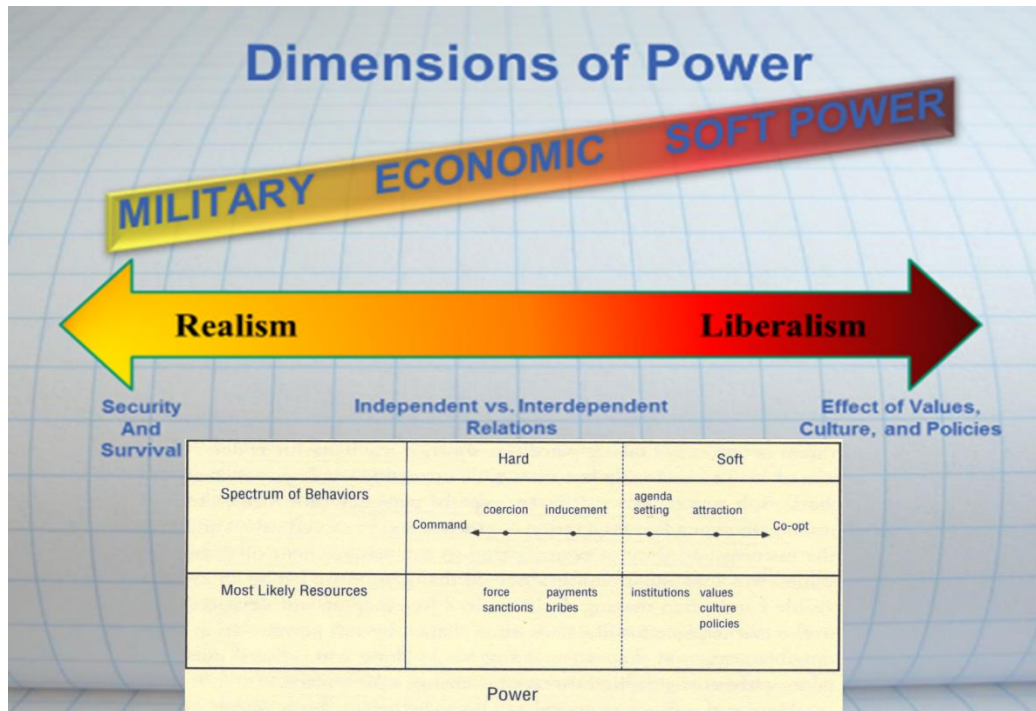


Figure 11. Dimensions of Power.

Source: Data from Nye, *Soft Power: The Means to Success in World Politics*, 8. Note: Original chart modified by author for reference and illustration.

The current structure of global politics requires agents to utilize all of their resources to maximize both their hard and soft powers in order to achieve the highest levels of potential influence. This is in line with Nye's concept of smart power.¹²⁷ Like Nye and Walt, IR theorists are beginning to understand and explore the need for

national leaders to complement traditional power resources with more enlightened strategies oriented around the use of soft power resources. The resources to compel compliance have to be increasingly integrated with the resources to cultivate compliance. Only through this integration of hard and soft power can nations truly achieve their greatest strength in modern world politics, and this realization carries important implications for competing paradigms of international relations.¹²⁸

¹²⁷ Nye, *The Future of Power*, xiv.

¹²⁸ Giulio Gallarotti, *Cosmopolitan Power in International Relations: A Synthesis of Realism, NeoLiberalism, and Constructivism* (New York: Cambridge University Press, 2010), i.

The mere possession of hard power resources does not constitute influence by itself. Furthermore, military and economic power does not necessarily translate into diplomatic influence. However, hard powers can translate to soft power influence at times as certain aspects of military or economic power/policies directly influence the level of soft power influence that an actor can wield or attain. This overlap of influences upon the soft power measures makes it the most difficult area to isolate and assess.

Pure soft power influence is isolated from military and economic influence. It most often comes from the acceptance of the cultures, customs, and norms of a nation on an international level. An actor may attain this through a focus on cultural diffusion. The belief being that the international community is more likely to reject the unknown and embrace or accept the familiar with less conflict. This is a core concept that translates well to this portion of the analysis and provides more quantifiable means to assess the levels of cultural diffusion and acceptance that existed from China to the United States or China to the rest of the world pre-US pivot to the Pacific, both of which aided diplomatic influence.

Since the introduction of the concept, scholars have conducted multitudes of studies to quantify elements of soft power, but the inherent subjectivity in the concept has made its progress limited. The key limiting factor falls in the difficulty of applying a modernist approach to an area dominated by human behavior. So, how does one rectify the issue in order to provide analysis that is not based solely on opinion polls?

International Ranking of Soft Power

Recognizing the challenges in developing an accurate model to assess soft power, the Institute of Government in London adopted a measure to synthesize both the quantitative and subjective measures which compose soft power in order to determine an international order. In so doing, the research focused on what Nye referred to as the three “primary resources” of soft

power, which are an actor's culture, domestic values and policies, and foreign policy.¹²⁹ This section will expound upon the methodology used in that research and utilize its results as an indicator of the importance of soft power and the best assessment available for where the PRC fit into the international soft power hierarchy before the US pivot to the Pacific. From there, the study will indicate if the soft power situation contributed to the emergence or exploitation of certain non-traditional actors.

The research uses Nye's influence to express culture as a "set of practices that create meaning for a society."¹³⁰ This includes its production of literature, art, television, cinema, music, and educational models, opportunities, or resources. All of these factors form the cultural identities of the actor around which others base their perceptions and formed attitudes for either attraction or rejection. The political values and institutions of an actor serve as a means for others actors to assess the former.¹³¹ "When government institutions effectively uphold values like transparency, justice, and equality at home, they are naturally more attractive abroad."¹³² An actor's foreign policy dictates its "legitimacy and moral authority in its conduct abroad."¹³³ Thereby, foreign policy provides an adequate measure around which others can form their opinions.

The methodology of the Institute of Government's report broadens Nye's essential concepts into five areas of analysis: business/innovation, culture, government, diplomacy, and

¹²⁹ Nye, *Soft Power: The Means to Success in World Politics*, 44-55.

¹³⁰ Institute for Government, *The New Persuaders: An International Ranking of Soft Power*, by Johnathan McClory, (London, 2010), 3, accessed November 03, 2015, http://www.instituteforgovernment.org.uk/sites/default/files/publications/The%20new%20persuaders_0.pdf.

¹³¹ Ibid.

¹³² Ibid.

¹³³ Ibid.

education.¹³⁴ Within each area, the research identified a multitude of quantifiable data by which to reduce the bias in the results through the determination of truly quantifiable indices. Finally, it blended the results of these areas of study with six subjective indicators, which were determined implausible to remove from a genuine attempt to gauge soft power. As stated, the subjective nature of the concept of soft power prevents determining purely quantitative results. The six subjective areas of “reputation of embassies and diplomats; appeal of soft power icons; quality of national airline; cultural output; cuisine; and international political leadership” provide balance to the results.¹³⁵ This model provided an excellent attempt to isolate and quantify soft power, but the chosen variables are most appropriate for traditional state actors. Therefore, while it assists in determining how the United States may have assessed the PRC prior to the “pivot,” the analyzed variables would be less useful in identifying the soft power status of relevant non-traditional actors within global politics.

The results of the study were not surprising as more traditional, established powers led the way with France, the United Kingdom, and the United States composing the top three. By no coincidence, these are largely the top three actors that come to mind when thinking of nations with historical reputations for diplomatic strength and elements of cultural diffusion. On the other hand, China had a surprisingly strong showing at 17.¹³⁶ So, what accounted for this?

Accounting for China’s Growing Soft Power

Many factors contributed to China’s rise in soft power. The advent of children’s program in the United States, such as *Nickelodeon’s “Ni Hao, Kailan”* is an excellent example of Chinese

¹³⁴ Institute for Government, 3.

¹³⁵ Ibid., 4.

¹³⁶ Ibid., 5.

cultural diffusion. The program is a cartoon designed to introduce Mandarin Chinese and related elements of Chinese culture and values to a young non-Chinese audience. Though innocent enough, the emergence of international children's television programming designed to familiarize its audience with Chinese culture/language is representative of the world's changing perception as to the importance of China. Although China's true levels of influence may be limited, the international community had to recognize the ever-growing importance of the PRC in the global economy. Greater opportunities for diplomatic influence and cultural diffusion have arisen through growing levels of interactions related mainly to interstate commerce and finance from the PRC to the international community and vice-versa.

On a larger scale, one of the most significant impacts from the PRC's rising economy was its positive effect on elements of its soft power. As established previously in this work, the PRC's economic growth model displayed a concentrated effort to expand into the third world and developing nations regardless of the actor's form of government or internal policies. In so doing, China created multiple asymmetric relationships worldwide in which it offered aid/relief packages/debt forgiveness in return for better and less expensive access to needed natural resources. The global recession of 2008 also enabled the booming Chinese economy through a greater demand for its less expensive manufactured products worldwide. As a result, Chinese products and brand names were becoming household names worldwide, which benefited elements of soft power as well.

With a greater look to the globalized world driven by economics, China also increased its accession into global institutions. The PRC was a member, partner, or observer to over seventy international organizations that ranged in scope from security, to international finance and

development, to trade organizations, etc.¹³⁷ This has led to growing levels of influence on the international stage through: greater roles, responsibilities, and level of participation within some of these institutions; deepened levels of trade dependency with partners worldwide; greater diplomatic recognition and support of the one-China policy; and a multitude of opportunities to pursue even greater levels of cultural diffusion. All of these elements have contributed to the rise of China's soft power as indicated in the mentioned study.

As China's role in the international community increased, largely as a result of its continued economic success, its diplomatic corps became increasingly more effective in leveraging its growing soft power into influence capable of shaping and achieving its own desired ends. Additionally, the PRC showed attempts to both shape and lead international agendas. Some of which were revisionist in nature from an IR actor perspective, such as the PRC's call, along with the other BRIC nations, to replace the US dollar for a new universal currency in order to create more independence from US-based influences in all economic and financial systems.¹³⁸ The PRC had set an agenda focused on growing aspects of soft power to compete with those of traditional Western powers.

To further this agenda and overcome some the PRC's international criticism of its state policies and system of government, China leveraged its Office of Public Diplomacy within its Foreign Ministry to broaden its international agenda through greater degrees of cultural diffusion. China accomplished this through a variety of means before the US' Asian pivot. These activities ranged from the hosting of cultural exhibitions to the selection for greater international events, such as hosting the 2008 Summer Olympics (Beijing) or the World Expo 2010 (Shanghai).

¹³⁷ "Government: China - International Organizations," *The World Factbook 2013-14*, last modified December 31, 2015, accessed January 03, 2016, <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>.

¹³⁸ Joe McDonald, "China Calls for a New Global Currency," *ABC News*, March 24, 2009, accessed November 06, 2015, <http://abcnews.go.com/Business/story?id=7168919&page=1>.

Additionally, there had been substantial growth in the international demand for Chinese films and literature. Another focused agenda of the Office of Public Diplomacy was to “promote Chinese language and culture” which it had done through the opening of 282 Confucius Institutes and 272 Confucius Classrooms worldwide designed to serve as language and education centers to spread the knowledge of Chinese cultures and traditions, Confucian values, and the Chinese language.¹³⁹ Furthermore, the PRC tasked its State Council Information Office to attempt to gain entry into the international media market. China invested (US) \$8.7 billion in 2009-2010 toward bolstering its external publicity through greater access into markets worldwide via radio, newspapers, and television.¹⁴⁰ This effort focused on four major media outlets and required a makeover of each in order to give them more international appeal through a variety of means, such as: reducing the appearance of state driven propaganda in reporting; hiring foreign news anchors to conduct broadcasts; diversifying radio programs; allowing newspapers to be more investigative in their reporting; creating greater transparency through governmental processes and the internet; providing 24-hour news coverage that attempts to mirror the models of Al Jazeera, CNN, and the BBC; and the funding of English-Chinese television stations abroad to facilitate additional means to spread Chinese media and film to a greater audience.¹⁴¹ In all, the PRC’s concerted efforts highlighted a desire to grow soft power as a means leverage greater influence and positively shape its agent strategy.

¹³⁹ David Shambaugh, “China Flexes Its Soft Power,” *New York Times*, June 7, 2010, accessed October 19, 2015, http://www.nytimes.com/2010/06/08/opinion/08iht-edshambaugh.html?_r=2.

¹⁴⁰ Ibid.

¹⁴¹ Shambaugh.

Limiting Factors to the Extent of China's Soft Power

For the PRC, elements of soft power are very real indicators of national strength and influence. The PRC followed a “smart power” strategy to incorporate hard and soft powers into its national strategy. This was apparent pre-US pivot to the Pacific in how the PRC measured state-actor power. The PRC utilizes a Comprehensive National Power (CNP) index.¹⁴² Similar to Nye’s smart power strategy, the CNP combines both hard and soft power measures to include “the sum total of the strengths of a country’s economy, military, science and technology, education, resources, and soft power.”¹⁴³ In 2009, the PRC rated itself as seventh in terms of CNP.¹⁴⁴ One could deduce that the effort to grow soft power in concert with its hard powers was a designed strategy of the PRC at the time, which in itself demands a pluralistic appreciation for IR theory in global politics to overcome variances in the interpretation of its use. The ability to continue growing soft power was critical to the PRC’s continued success and growth in the international system. In spite of gains, the PRC was limited from a soft power perspective in terms of cultural and political assimilation into a largely Western dominated system. So, how does IR theory explain the limitations of this soft power approach?

Realism does not well account for soft power as its focus remains on the importance of hard powers within an anarchical system defined by competition and zero-sum gains. Further, realists would indicate that self-interested actors created existing international institutions solely as a means to serve their own interests. Those who created the institutions have the controlling

¹⁴² Bonnie Glaser, “A Shifting Balance: Chinese Assessments of US Power,” in *Capacity and Resolve: Foreign Assessments of US Power*, ed. Craig Cohen (Washington, DC: Center for Strategic and International Studies, 2011), 5, accessed September 30, 2015, http://csis.org/files/publication/110613_Cohen_CapacityResolve_Web.pdf.

¹⁴³ Ibid.

¹⁴⁴ Ibid.

interest within them and will work to dissolve them or abandon them when they no longer serve their best interests. The PRC's late arrival to the international stage created a situation where it was limited in its ability to grow and affect these institutions without altering the status quo. The leading superpower and other great powers within the system would most likely to resist any changes not in its best interests. The US resistance to the development of the AIIB is indicative of this limiting realist dynamic.

From the liberal perspective, greater interdependency with China could be viewed as being strictly an economic function and a byproduct of globalization that saw manufacturing centers shift to Asia for reduced costs in the factors of production, specifically labor. The PRC itself lacks a common ideology, form of government, or elements of shared moral values that compose a common linkage for the majority of the world's great powers and institutions constituting the existing regime. For those reasons, the democratic nations of the world who seek to spread shared ideals amongst actors in the system to achieve greater levels of interdependency, reduce uncertainty, and transcend the anarchic structure of the system only served to limit a non-acquiescent PRC.

PRC participation within the IMF exemplifies the extent to the limits of PRC influence within the existing world institutions. In 2010, the G-20, agreed to reform the IMF voting allocations to account for the growth of major developing nations and emerging markets. The result was an agreement to shift 6% of the current voting shares to such nations.¹⁴⁵ The PRC saw the biggest benefit among the changes in allocations moving from "2.9% to about 6%."¹⁴⁶ With

¹⁴⁵ Andrew Walker, "G20 Summit Agrees to Reform IMF," *BBC News*, October 20, 2010, accessed December 06, 2015, <http://www.bbc.co.uk/news/business-1161270>.

¹⁴⁶ "Succession Planning at the IMF: Europe Against the Rest of the World?" Wharton School of the University of Pennsylvania, May 25, 2010, accessed November 19, 2015, <http://knowledge.wharton.upenn.edu/article/succession-planning-at-the-imf-europe-against-the-rest-of->

the allocation, the PRC moved into third place overall as it passed Germany, France, and Great Britain in the fund's power rankings.¹⁴⁷ Despite the significant change for China, the actual level of influence was minimal for the second leading economy in the world. Regionally, Japan maintained a higher voting share than China. Although the PRC surpassed the European nations, the common interests that European nations share for the advancement of their own market systems through the European Union effectively gave them close to 36% of the total voting authority over issues.¹⁴⁸ In addition, the United States maintained an incredible 17% of the overall voting quota.¹⁴⁹ Since the threshold for critical issues within the IMF is 85%, the United States was the sole country to maintain veto authority over every decision.¹⁵⁰ Although the PRC made gains, its true level of influence gained was minimal at best and, in large part, subject to the desires of the Western state-actors in those institutions. These policies are merely holdovers from a Bretton Woods era style of thinking, which ensures the balance of power resides within Western Europe and the United States. This exemplifies the realist position that institutions are merely extensions of the more powerful actors to maintain and exercise control over the system.

With the decision of the G-20 to increase the voting share of China and other emerging markets came the continuance of rhetoric for the PRC to stop restrictive/artificial state monetary policies, which gave the appearance of currency manipulation. From a liberal institutionalist model, this is an example of the institution affecting the state-actor and gives credence to the role

the-world/.

¹⁴⁷ "IMF Member's Quotas and Voting Power, and IMF Board of Governors," International Monetary Fund, last modified March 20, 2016, accessed March 20, 2016, <http://www.imf.org/external/np/sec/memdir/members.aspx>.

¹⁴⁸ "Succession Planning at the IMF: Europe Against the Rest of the World?"

¹⁴⁹ Ibid.

¹⁵⁰ Walker, "G20 Summit Agrees to Reform IMF."

of non-traditional actors to influence the system. The agents within the institution conceded a minimal amount of relative power to China in terms of voting percentages while hoping to persuade a change in state policy. The G-20 had placed continual pressure on the PRC to fully liberalize its markets and/or allow the yuan to be re-valued.¹⁵¹ Furthermore, the PRC's policies of non-interventionism with regard to how and with whom it conducts business, its alliance with North Korea, sales of arms to third world nations, its record for aggressive authoritarian control over its own populace, and concerns over human rights created a multitude of barriers toward full accession and acceptance into the current international order. In this dynamic, agent strategies to either emulate others or resist change caused a change to the system. In either scenario, emergent opportunities from the interaction allowed the system as a whole to continue forward and the agents within in to adopt positive strategies or die.

This is an essential point in the discussion of limiting factors to Chinese soft power growth. The principle source of China's rise in soft power stemmed from its economic success. The continuance of that success depended on the international community due to its export driven market economy. The artificialities that the PRC imposed on state financial and economic controls created great uncertainty that it could achieve the minimum required growth rates to meet domestic needs if international or domestic agent pressure forced it to alter existing policies. This point once again relays the complexity inherent within global politics and highlights how actor's self-interests are not self-determined. Further, it clearly demonstrates the feasibility for non-traditional actors to influence and be influenced by the process of socialization in global politics.

¹⁵¹ Walker, "G20 Summit Agrees to Reform IMF."

Conclusion of the Soft Power Dimension

Realism would indicate that the PRC would continue with its policies so long as the benefits outweighed the costs. However, as the international profile of the PRC rose, so did its level of responsibility to conform to existing norms of the established regime. The continuance of such controversial policies created a conflict from a liberal perspective. At some point in time, the PRC would be forced to accept the limits to which its soft power could ascend in the status quo, bow to international pressures to work within the existing system in order to continue to advance its soft power goals, or attempt to alter the status quo.

The emergence of the AIIB and the PRC's ability to attract Western partners in spite of US objection was evidence of this soft power growth. The PRC may exert diplomatic influence in other ways that affect the world stage. Although limited, the PRC is not without options to affect a different future. Likely options include continued island reclamation efforts in an attempt to circumvent/exploit United Nations Convention on the Law of the Sea (UNCLOS) rules and norms and gain advantage in the South China Sea. Less likely, but available to the PRC, could be a more assertive stance with pressure on Taiwan or in the militarization of disputed territories. The PRC diplomatic corps will continue efforts to increase its presence and exposure through high-level diplomatic visits worldwide. The business oriented approach and deep foreign reserves that the PRC maintains are strong soft power assets in a globalized world. The PRC's soft power has enabled the world's relative tolerance of their actions in the South China Sea to date. Again, this is indicative of the interdependent nature of the sources of power.

The effects of China's soft power growth have become apparent post-US pivot to the Pacific. The emergence of the AIIB and the PRC's ability to attract Western partners in spite of US objection was evidence of this soft power growth. The PRC proved capable of converting soft power into influence to affect the world stage. The acceleration of PRC activities since 2011 may

have additional impacts on its soft power growth, which is largely intertwined with hard powers. For instance, the PRC's state policy of anti-secession toward Taiwan would directly affect its soft power capacity if it became more assertive with pressure on Taiwan. Current efforts to continue sea reclamation in the South China Sea is geopolitical in nature. The PRC's acceleration of those efforts and seemingly forceful exertion of power circumvents and/or exploits UNCLOS rules and norms, which has negative implications from either realist or liberal perspectives. The PRC established an excellent soft power growth strategy in a globalized system. Still, the PRC was limited in many ways. To overcome these limitations, China leveraged international institutions and focused on smart power strategies. The interplay of actions, reactions, and perceptions at multiple levels between all actors created the conditions for emergent actors and/or opportunities to evolve. This all denotes the complexity of the system and once again demands a multiplicity of theoretical perspectives.

Conclusion

The case study presented a detailed analysis of the PRC's major power dimensions commonly addressed under the major schools of IR theory. It sought to break apart variable factors within each power element to demonstrate how compartmentalizing the data with no regard for context, discourse, interaction of agents (internally and externally), or the important interplay between each power element is reductionist in its approach. Most importantly, the conclusion of each section focused on providing a better understanding of how traditional IR theories overlapped or diverged on interpretation. Many variable factors, agents, and meta-agents were all acting interdependently upon each other to create the conditions for the PRC's "rise." Subsequently, external agent interpretation of that ill-defined rise resulted in the United States assessing the need to enact a policy shift toward the Pacific. Irrespective of any particular IR school of thought on the true purpose of this policy shift, the results were the same. The United

States responded to a perception of growing PRC influence in the region and sought to strengthen its position in Asia. The PRC's reaction seemed to overcome assessed limitations as it quickly adapted to exploit the change and improve its position.

The US solution set added positive feedback to the system that caused an amplifying affect. To reach a point of equilibrium, other agents then had to adjust to the US policy. The PRC appeared limited under traditional IR theory analysis to leverage elements of power to any real level of influence outside of immediate regional interests. The response to the 2008 Global Recession and US policy shift to the Pacific appeared to be an acceleration of activity across all three power dimensions discussed in the case study. The PRC's response to these events resulted in a smart power strategy that obtained the world's leading economy in terms of purchasing power parity, a stronger geopolitical position in the South China Sea, and ascension to great levels of influence within international institutions. This begs the question; did US policy makers not anticipate this change? The conduct of the case study explained how this might have occurred. Compartmentalizing elements of power and focusing on specific assumptions of behaviors within singular fields of IR provides a reductionist understanding of global politics. It fails to appreciate the interconnectedness of the parts inherent in the system and the interplay of power variables within each agent's control.

Global politics is a complex system with endless variable factors and agents. Such, complexity requires a holistic understanding of the structure, which demands a pluralistic application of theory. This does not provide predictability, but forces one to ask the right questions and anticipate alternative futures. For this reason, policies should seek to react to complexity with adaptive measures to anticipate change and seek to exploit opportunities when they arise. Traditional IR theory is inherently reductionist in its singular theoretical view, exclusion of relevant agents, and focus on the parts as a means to predict systemic events that are otherwise unpredictable due to the nature of the system. A pluralistic approach accounts for

multiple perspectives, embraces uncertainty, and is more inclusive of influences to a broader range of agents and meta-agents. This does not seek to impose rationalist measures of control and explanation on the system. It focuses on the relationships within the system that define the whole. Therefore, agent's strategies do not act on the system but within it. As Robert Jervis said, "systems then do not make meaningful action impossible. But the dynamics they display not only make them difficult to understand, but mean that even the most carefully crafted strategy may have multiple consequences that can move the actors – and the rest of the world – to unexpected destinations."¹⁵² Therefore, holistic understanding and adaptive strategies should be the norm.

In this study of traditional IR theoretical components, it proved reductionist to separate the parts of the system with no appreciation for the interdependent nature of those parts. Further, it proved dangerously myopic to apply one theoretical perspective to a complex system. As Jervis cautioned, doing so creates unrealistic expectations and can lead to either self-fulfilling or self-denying prophecies, neither of which may be in the agent's best interest.¹⁵³ A pluralistic view of global politics seeks to overcome those shortcomings. It seeks to accept and anticipate change. The alternative is the continuance of rationalist approaches that fail to appreciate the true, interactive nature of the system. Traditional approaches look to assert control over variables that are resistant to control and interactions that produce unforeseen events. These theories are not adaptive nor holistic in their approach. Therefore, they are inadequate in isolation for dealing with complexity.

Perception matters in the complexity of global politics. Every strategy employed by an agent is received and interpreted by other agents. Competing goals, limitations in power-to-

¹⁵² Robert Jervis, "Thinking Systematically About Geopolitics" *Geopolitics* 15, no. 1 (February 2010): 171.

¹⁵³ Jervis, "Thinking Systematically About Geopolitics," 169.

influence conversion, and varied interpretations in agent interaction drive tensions within the system. To overcome these tensions and limitations, agents employ strategies that inject positive feedback into the system. This creates the opportunities to exploit changes that emerge from their actions, its interpretation, and another agent's reaction. The astute strategist should account for these factors when dealing with complexity, which entails taking a pluralistic view and appreciating the interdependence of agent interactions. As Nye said, one must acknowledge that agent power apparatuses are intertwined with each other from an internal and external perspective. Control strategies that desire to gain predictability actually insert more variables, which leads to greater uncertainty.¹⁵⁴ Embracing the nature of global politics as complex necessitates holistic and adaptive strategies that seek a continued position of relative advantage.

The common failure that IR theories have in aiding policy development is that they do not seek understanding of “why” conditions exist; they seek understanding of “what” conditions exist. Further, they continue to fail by analyzing those “what” conditions in isolation. Therefore, policy development should seek anticipation of its perception and reaction by other agents. Approaching a problem in this manner forces the designer of the solution to ask “and then what?” after a policy implementation. This is not intended to result in a rationalist decision tree flow chart, as the emergent nature of the system is “unknowable.” This does not mean there is no point in planning. It simply establishes a mindset that there are no universal truths or solution sets. All solutions are contextual to the subjective analysis of the current state. Once an agent introduces a strategy, the current state will alter and never again be the same. In keeping with complexity theory, this makes all solution sets unique. As Taleb indicated, hoping to exert control to gain predictability is fallacious. Strategies should seek to be agile and adaptive.

¹⁵⁴ Nassim Taleb, *Antifragile: Things That Gain from Disorder* (New York: Random House, 2012), Prologue.

In sum, the complexity of global politics demands a pluralistic approach. As this work has demonstrated, agent strategies within global politics do not follow universal truths. Other agents within the system respond with their own adjusted strategies based on varied interpretations. This socialization process creates a dynamic situation where agent behaviors and interests are shaped and re-shaped overtime based on the interactions of all agents. Emergent qualities arise from the interactions that define the nature of the system itself. As a result, gaining a better understanding of the system is both an art and a science. In isolation, the dominant rationalist theories within IR do not well account for this discourse among agents nor the dynamism inherent within the system. Ironically, this bargaining process reduces the anarchy within the system with which most traditional IR theories base themselves. Understanding global politics requires a holistic view of the system and appreciation of how agents structure smart power strategies. An agent may simultaneously employ perceived realist or liberal strategies across the spectrum of power to gain greater influence. Because agent interests and strategies are negotiated through agent interaction and are subject to varied interpretation, it follows that agents would apply a variety of theoretical constructs to attempt to understand agent behavior and anticipate how their own strategies will be perceived.

The application of a pluralistic approach creates the necessary discourse for planners to understand the environment and create a more effective strategy. This discourse helps recognize the strengths and weaknesses of each approach. More importantly, it enables a clearer picture of alternative futures that strategies may create. While this is not predictive, it enables the agent to anticipate the future state of the system. In so doing, the agent simply increases its chances not to be too wrong when the effects of the action reveal themselves. In all cases, the agent must maintain the agility to quickly re-assess and implement a new strategy to exploit the new condition to its best end before the cycle starts again. For this reason, complexity demands a pluralistic approach with an adaptive strategy, which means that global politics requires the same.

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